

DECEMBER 1990

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

WRAPPING THE HOLIDAY SPIRIT

'BREWHAHA'
WHY ALCOHOL MAKERS
BOTTLE A NEW IMAGE

BATTER UP!
SPORTS TIE-INS
TO SPUR YOUR TEAM

FACTS REPORT
THE YEAR
IN INCENTIVES



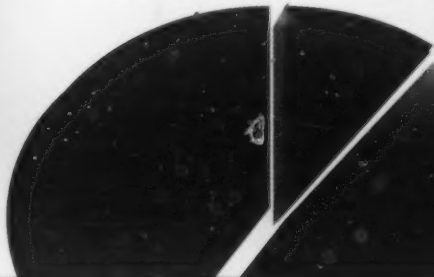
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Cover: Fred Slavin

INCENTIVE (formerly Incentive Marketing/Incorporating Incentive Travel) covers the methods used by organizations to motivate customers at all levels to buy and employees to work more effectively.

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FROM THE EDITOR

PUTTING WIND IN YOUR SALES

BY BRUCE BOLGER



A few weeks ago on the train ride home, I overheard a salesman talking with a friend about the current business climate. Well-dressed and well-spoken, he projected an aura of success.

"I got spoiled during the '80s," he said. "I rarely had to prospect for new business; the phone just kept ringing. Now, I've got to hustle for every piece of business I get. I've forgotten how to sell."

Just a few days later, I walked into a Ford showroom to look at a Taurus. Piles of paper lay on dilapidated desks. The gum-chewing sales manager, his feet resting on one desk, barely spoke as he directed me to a young salesman standing nearby.

The young man could not answer one question about the car. He politely went through the motions of showing us a model but offered no justification for selecting a Ford. Finally, he admitted that he was new. "I'm a GM man," he said. "I don't know anything about Fords."

If these situations sound all too familiar to you, you should consider a sales incentive program. You may find your sales force—even sales management—ripe for positive reinforcement. Even when business is off, you can gain market share by selling harder than the competition.

How's your sales force doing? Is it trained? Excited? Actively calling on new prospects and cultivating current ones? Do you know?

Today's economic climate requires incentive strategies that focus on profit margins and market share. They're tougher targets to reach than in periods of rapid growth.

Good programs require *training*—ensuring that every employee can present the benefits of your product versus those of the competition; *motivation*—ensuring that every lead is followed up, every opportunity acted upon; *customer satisfaction*—assuring that all current clients are happy; *accountability*—educating the sales force about the difference between low- and high-margin business, and *measurement*—developing clear and simple ways to monitor performance.

Will a properly honed incentive program help sales and profits? The good news is that it doesn't cost much to find out. Most incentive programs are funded out of incremental sales gains and don't require additional personnel. The bad news? Incentive campaigns require total management commitment. Without leadership, no award of any size will do the job when times are tough. Many top executives can't or won't take the time, or don't know where to begin.

If you're one of those who don't know where to begin, or who are dissatisfied with your current program, give me a call at (212) 984-2297, and I'll try to point you in the right direction.

Bruce Bolger

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SPECIAL
REPORT

1990 FACTS SURVEY

Incentive spending sets another record,
but the pace slackens a bit.

Incentive spending hit an all-time high of \$17 billion this year, advancing 7.4 percent over last year's figures. The numbers, products of **Incentive's** annual **FACTS** survey of readers, reveal incentive spending growth in all categories—sales, dealer, consumer and non-sales—although the rates of increase have decelerated. The less-than-dramatic 7.4 percent mark parallels 1989's modest 7.6 percent boost in spending.

Sales incentives remained the heaviest category on the list—although growth slowed there too, to an 8.1 percent gain versus 1989's 9.9 percent. For sales-program awards, spending for merchandise incentives gained 8.6 percent and travel programs grew 6.7 percent. Sales-force motivation, estimated at \$5.65 billion in the survey, held steady at 33 percent of the total incentive field.

Dealer campaigns also continued to grow, with companies spending 7.6 percent more on dealer incentives, versus 6.2 percent more last year. However, dealer campaigns yielded less of an increase in sales—14.8 percent—compared with 16.6 percent in 1989.

Consumer promotions continue to bring consistent sales returns, with sales from such promos growing by 18.1 percent this year. The figure falls into an 18-to-20-percent range that has marked the category every year, except for a slight dip to 16.1 percent in 1988. In the consumer realm, food retailers registered a 9.6 percent growth in consumer incentive activity, with continuity programs—the largest segment of the field—rising by 9.4 percent. Frequent-buyer incentives, including trading stamps, added 11.3 percent, while games and sweepstakes grew more slowly, at a 6.9 percent rate. Grocers account for approximately 74 percent of all consumer incentive expenditures in this year's retail estimates; all other retailers decreased their spending by about 20 percent from last year's levels.

Retailers in all industries spent 8.1 percent more on sales incentives and 15.8 percent more on business gifts. Overall, business gift spending increased a moderate 7.4 percent.

For the first time in several years, the growth of incentive travel spending lagged behind that of merchandise. Sales incentive travel increased by an estimated 6.7 percent, while dealer trip awards rose 6.3

percent. Merchandise spending, meanwhile, advanced 8.6 percent for salespeople and 8.2 percent for dealers.

This marks the second consecutive year travel programs produced disappointing sales gains. After registering gains of 21 percent in 1988, this year's figure landed at 16.7 percent, slightly better than last year's 16 percent. Travel program costs have changed little, holding at an average of 10.7 percent of incremental sales, compared with 10.6 percent in 1989.

Of the 29 specific industry groups tabulated in the survey, 6 showed major increases (9 percent or more) in their incentive usage this year. Paper products and packaging led at 13.9 percent; manufacturers of automobiles and trucks added 11.8 percent, and food-products manufacturers increased spending 10 percent. The other strong gainers were publishers, printers and broadcasters, up 9.5 percent; electrical and lighting equipment, 9.4 percent, and detergents and cleansers, 9 percent.

More industries fell below the averages, however; eight groups spent no more than 3 percent over 1989. Three industries actually spent less than last year: Paints and varnishes backed off by 2.9 percent; banks and savings-and-loan associations spent 0.7 percent less, and housewares and home furnishings spent 0.2 percent less than last year. Faring only slightly better were office equipment, up 1 percent; pharmaceuticals, 1.6 percent; farm equipment, 1.7 percent; apparel, 2.5 percent, and petroleum products, up 3 percent.

Finally, the survey showed modest growth in the burgeoning arena of non-sales incentives. A mid-year survey found non-sales incentive users averaging a 4.6 percent increase in award spending over 1989. More significantly, however, the survey showed that spending for merchandise incentives grew by a healthy 14.5 percent—noteworthy in a field that's been heavily devoted to cash awards. About 27 percent of these users also buy travel, but those expenditures have grown little this year. And, despite the inroads of more tangible awards, 57 percent of the companies surveyed still use some cash in their employee award programs.

Following is a wrap-up of some of the trends in the leading categories of incentive usage.

SALES INCENTIVES

Though a mid-year FACTS survey forecasted a 10 percent increase in sales incentive spending, final figures for the year fell slightly short of predictions, settling at an 8.1 percent rise.

The biggest change since the earlier reading: the merchandise-travel mix. Forecasts had projected a 12.9 percent expansion in travel programs aimed at salespeople, but later estimates showed that travel usage grew by only 6.7 percent. On the other hand, merchandise expenditures, predicted to rise only 5.8 percent, actually expanded 8.6 percent.

In the end, estimates for the year show sales-force incentives rising to \$5.65 billion, with most of that—\$4.15 billion—spent for merchandise and \$1.5 billion for travel. The total represents about one-third of all incentive-award spending.

This year, survey respondents assigned an average of three specific goals to their sales incentive campaigns—a more ambitious approach than the past average of two and one-half goals. Most telling, perhaps, is the fact that an all-time low number of users indicated the catchall objective, "increase overall volume." With more users aiming for specific, well-defined targets, only 59 percent of these sales executives consider "increasing volume" precise enough to single out as an effective objective.

Volume gains in sales incentive programs slipped slightly this year to an average of 18.4 percent from last year's 18.7 percent, while costs rose a bit, to 14 percent of incremental sales from 13 percent in 1989. The good news: Forty percent of salespeople qualified for awards, up from 37 percent last year.

A mixed bag of industries spent huge amounts of money on sales incentives this year. Insurance firms,

The Incentive Field At A Glance

	1990 Expenditures	1989 Expenditures	% Change
SALES INCENTIVES	\$5,652,900	\$5,230,226	+ 8.1%
Merchandise	4,152,838	3,824,647	+ 8.6%
Travel	1,500,062	1,405,579	+ 6.7%
DEALER INCENTIVES	\$3,080,050	\$2,863,828	+ 7.6%
Merchandise	2,022,415	1,868,804	+ 8.2%
Travel	1,057,635	955,024	+ 6.3%
MERCHANDISE TOTAL	\$6,175,253	\$5,693,451	+ 8.5%
TRAVEL TOTAL	\$2,557,697	\$2,400,603	+ 6.5%
TRADE TOTAL	\$8,732,950	\$8,094,054	+ 7.9%
BUSINESS TOTAL	\$1,757,005	\$1,635,252	+ 7.4%
CONSUMER PREMIUMS			
Product Promotion	\$4,676,640	\$4,367,255	+ 7.1%
Mail-In Offers	2,403,050	2,230,496	+ 7.7%
Direct Premiums	2,273,590	2,136,759	+ 6.4%
Retail Promotion	\$1,832,242	\$1,735,821	+ 5.6%
Games & Sweepstakes	220,587	206,349	+ 6.9%
Direct & Continuity	1,611,655	1,529,472	+ 5.4%
CONSUMER TOTAL	\$6,508,882	\$6,103,076	+ 6.6%
TOTAL USAGE	\$16,998,837	\$14,711,708	+ 7.4%

ALL FIGURES IN THOUSANDS

the number-one users, increased spending on sales incentive campaigns by 8.8 percent. Of the next three top user industries, toiletries and cosmetics were up only 2.6 percent; auto parts, tires and accessories, 5.3 percent, and food products, 5.7 percent. Makers of automobiles and trucks moved into fourth place on the list, nosing out food products, with a 15.7 percent rise in sales incentive expenditures.

Here is how the tabulated industry groups stacked up in their 1990 sales incentive efforts:

Apparel	+6.3%
Auto parts, tires & accessories	+5.3%
Automobiles & trucks	+15.7%
Banks and savings & loans	+14.5%
Beer, ale & soft drinks	+ 3.0%
Building materials	+ 8.4%
Detergents & cleansers	+ 2.5%
Electric appliances	+ 6.6%
Electrical & lighting equipment	+12.2%
Electronics, radio & TV	+ 7.9%
Farm equipment	+ 4.3%
Feed, fertilizer & farm supplies	no change
Food products	+ 5.7%
Furniture & floor coverings	+10.9%
Hardware	+15.6%

Heating & air conditioning	+ 7.6%
Housewares & home furnishings	+3.1%
Industrial chemicals	+14.5%
Insurance	+ 8.8%
Machinery & supplies	+ 7.7%
Office equipment	+ 1.5%
Paints & varnishes	- 1.6%
Paper products & packaging	+21.4%
Petroleum products	+ 4.9%
Pharmaceuticals	- 5.9%
Public utilities	+ 8.0%
Publishers, printers & broadcasters	+ 5.9%
Sporting goods & toys	+ 8.6%
Toiletries & cosmetics	+ 2.6%
Distributors & wholesalers	+18.2%
Retailers	+ 6.7%

What awards do all these sales incentive users prefer? About 31 percent favor cash, although all use non-cash awards too. Travel scored highest, garnering 36 percent of the votes, while merchandise came in a close second, preferred by 33 percent of respondents.

Many of the 69 percent favoring non-cash incentives cited three principal reasons for holding travel and merchandise awards in high esteem:

- They are easier to dramatize in a campaign.
- They offer more perceived value for the dollar spent.
- The recognition attached to merchandise or travel tends to be more meaningful than that associated with cash, where the award can be lost in a pocketful of wages.

DEALER INCENTIVES

Marketers ran about 9 percent more dealer incentive promotions this year than in 1989, according to the reports of 154 executives in an Incentive survey earlier this year. Two out of five companies said they were spending more, although the percentage of their budget increases generally were small. In fact, though

the group predicted their spending for the year would rise by only 2.9 percent, year-end tallies show that total dollar expenditures increased by about 7.6 percent over 1989.

The survey places total dealer incentive spending for all industries at \$3.08 billion. Almost two-thirds, just over \$2 billion, went for merchandise incentives, while travel campaigns accounted for a bit over \$1 billion. As with sales-force incentives, growth in merchandise spending was greater than travel—up 8.2 percent versus travel's 6.3 percent.

Sliding sales results did not help bolster the totals: Incremental sales gains in dealer promotions came in at 14.8 percent (down from an average 16.6 last year), the lowest rate in five years. The likely reason for the discrepancy? The heavy activity of the top three consumer premium users in the grocery field, who built up their dealer promotions mainly to support their consumer drives. Food products, toiletries and cosmetics, and beer, ale and soft drinks all reported major gains in dealer incentive usage—up 10.8 percent, 14.4 percent and 12 percent, respectively.

Meanwhile, many other industries lay low in dealer promotion. Three of them—banks and savings-and-loans, industrial chemicals, and paints and varnishes—spent less, dropping by 3.2 percent, 4.1 percent and 2.4 percent, respectively.

But a dozen other industry groups didn't fare much better, increasing their spending by less than 4 percent; after factoring in inflation, that translates to no growth, or shrinkage.

Dealer program costs held steady at a median of 10 percent of incremental sales; participation also stayed about even—an average of 51 percent

Incentive Usage By Industry

INDUSTRY	1990 Expenditures From 1989	% Change
Food Products	\$1,792,352	+ 10.0%
Toiletries & Cosmetics	1,166,872	+ 8.9%
Auto Parts, Tires, Accessories	955,838	+ 6.8%
Insurance	788,863	+ 8.1%
Automobiles & Trucks	564,829	+ 11.8%
Electronics, Radio, TV	525,821	+ 5.3%
Building Materials	398,735	+ 7.5%
Publishers, Printers, Broadcasters	334,396	+ 9.5%
Heating & Air Conditioning	332,809	+ 6.9%
Office Equipment	324,069	+ 1.0%
Petroleum Products	319,273	+ 3.0%
Beer, Ale & Soft Drinks	273,288	+ 6.7%
Detergents & Cleansers	249,233	+ 9.0%
Electric Appliances	242,443	+ 6.6%
Feed, Fertilizer & Farm Supplies	235,352	+ 4.9%
Farm Equipment	220,857	+ 1.7%
Banks and Savings & Loan	220,687	- 0.7%
Housewares & Home Furnishings	208,723	- 0.2%
Pharmaceuticals	205,124	+ 1.6%
Machinery & Supplies	187,866	+ 7.7%
Electrical & Lighting Equipment	143,497	+ 9.4%
Industrial Chemicals	124,487	+ 4.5%
Furniture & Floor Coverings	103,496	+ 8.6%
Paper Products & Packaging	101,772	+ 13.9%
Paints & Varnishes	68,325	- 2.9%
Apparel	63,982	+ 2.5%
Sporting Goods & Toys	58,164	+ 4.3%
Hardware	37,763	+ 6.0%
Public Utilities	30,526	+ 7.8%
Miscellaneous Goods	980,139	+ 8.6%
Miscellaneous Services	1,087,542	+ 7.1%
Wholesalers & Distributors	1,632,840	+ 8.9%
Retailers	2,990,246	+ 6.5%

ALL FIGURES IN THOUSANDS

Feed, fertilizer & farm supplies+ 8.0%
 Food products+10.8%
 Furniture & floor coverings....+ 9.3%
 Hardware+ 0.8%
 Heating & air conditioning ..+ 8.2%
 Housewares & home furnishings.....+ 2.8%
 Industrial chemicals- 4.1%
 Insurance+ 9.8%
 Machinery & supplies+ 5.9%
 Office equipment..+ 3.8%
 Paints & varnishes.....- 2.4%
 Paper products & packaging.....+14.7%
 Petroleum products+ 8.4%
 Pharmaceuticals...+ 4.4%
 Public utilities.....+11.1%
 Publishers, printers & broadcasters.....+ 9.4%
 Sporting goods & toys+ 9.1%
 Toiletries & cosmetics+14.4%
 Distributors & wholesalers+ 1.4%
 Retailers+ 1.8%

Distributors and wholesalers remain the major targets of most dealer incentives.

About 49 percent of survey respondents said they aim their programs at these middlemen—a figure down from an unusually high 57 percent in the 1989 survey, but falling right in the middle of the customary 48-to-50-percent range. The middlemen, normally large users of dealer incentives themselves (they spent around \$192 million this year), have been relatively quiet, spending only 1.4 percent more on their own programs.

Several different types of retailers received incentives this year. Most numerous are specialty stores, the object of 21 percent of users' plans. Grocers, druggists and service stations are the focus of 13 percent, 9 percent and 6 percent, respectively.

Incentive users showed mixed results in the unit costs of their awards this year. Merchandise aver-

for all programs. Fifty-five percent of dealers won merchandise, up 3 percent from last year, while 47 percent of dealers earned travel awards, down from 49 percent a year earlier.

The following shows what the industry groups did (or didn't do) this year, according to the final estimates:

Apparel+ 2.4%
 Auto parts, tires & accessories.....+11.6%
 Automobiles & trucks.....+11.4%
 Banks and savings & loans- 3.2%
 Beer, ale & soft drinks.....+12.0%
 Building materials.....+ 0.8%
 Detergents & cleansers.....+ 3.8%
 Electric appliances.....+ 5.6%
 Electrical & lighting equipment+ 7.6%
 Electronics, radio & TV+ 3.3%
 Farm equipment.....+ 0.6%

ages fell, while the median rose from \$50 to \$60. Trips, however, moved both ways: The unit cost dropped to a median of \$1,500 from last year's \$1,850, while the per-person cost rose to \$1,300 from \$1,200. This suggests that fewer of these particular companies included spouses in their programs this year.

The percentage of total budget allotted to promotional support rose sharply, to 15 percent from 10 percent last year. That indicates a decrease in the percentage of award dollars—from 90 percent of budget last year to 85 percent in 1990.

INCENTIVE TRAVEL

Buyers of incentive travel ran up an expense account of more than \$2.5 billion this year, survey estimates show. But, in the course of hitting this record-setting level, they showed a smaller percentage increase than in most years—only 6.5 percent over 1989 expenditures. Still, the final estimates are somewhat better than a survey of 175 travel users had indicated earlier in the year. At that point they said they planned only a 5.9 percent expansion in travel budgets for the year.

Of the total spent on incentive travel, 59 percent is slated for motivating salespeople and the rest for spurring dealers. Sales results from dealer travel promotions grew less this year than programs targeting sales forces. Dealer incentive users reported only a 14.8 percent increase in sales generated by their incentive activity—compared with results that in recent years fell in the 16-to-18-percent range. In a recent **Incentive** survey, sales incentives showed a yield averaging 16.7 percent.

A number of industries purchased plenty of travel awards this year. Six groups posted increases of 12 percent or greater: paper products and packaging, 17.6 percent; publishers, printers and broadcasters, 16.3 percent; public utilities, 14.6 percent; electrical and lighting equipment, 12.5 percent; hardware, 12.4 percent; and banks and savings-and-loans, 12.1 percent.

These bullish travelers, however, couldn't match the contribution of the insurance industry, the largest single

Top Sales Incentive Users (1990)		
Insurance	\$533,321	
Toiletries & Cosmetics	\$407,630	
Auto Parts, Tires, Accessories	\$367,612	
Automobiles & Trucks	\$277,948	
Food Products	\$269,003	
Electronics, Radio, TV	\$263,413	
Building Materials	\$199,432	
Office Equipment	\$146,765	
Publishers, Etc.	\$136,840	
Machinery	\$121,311	
		Percentage of Field Represented by Top 10
		48%
ALL FIGURES IN THOUSANDS		

user of travel. Although showing a slightly smaller percentage gain this year—9.9 percent—the insurance firms raised their budgets by almost \$30 million, compared with a total increase of about \$12 million added by the other industries. In all, insurance firms spent an estimated \$329 million on travel incentives this year. About 74 percent of that was spent on programs targeting direct sales representatives, with the smaller portion aiming at dealers (independent brokers).

Slow industries this year include auto parts, tires and accessories, the second-ranking user of travel, which increased spending by only 2.3 percent. Office equipment makers spent only 1.1 percent more, and paints and varnishes registered only a 0.3 percent rise.

The trend for all industries this year looked like this:

Apparel.....	- 3.7%
Auto parts, tires & accessories.....	+ 2.3%
Automobiles & trucks.....	+11.7%
Banks and savings & loans....	+12.1%
Beer, ale & soft drinks.....	+ 7.3%
Building materials.....	+ 3.3%
Detergents & cleansers.....	+ 3.9%
Electric appliances.....	+ 6.5%
Electrical & lighting equipment.....	+12.5%

Electronics, radio & TV.....	+ 8.8%
Farm equipment.....	+ 3.3%
Feed, fertilizer & farm supplies.....	+10.0%
Food products.....	+ 3.7%
Furniture & floor coverings....	+ 8.4%
Hardware.....	+12.4%
Heating & air conditioning....	+ 9.6%
Housewares & home furnishings.....	+ 5.2%
Industrial chemicals.....	+ 6.1%
Insurance.....	+ 9.9%
Machinery & supplies.....	+ 3.3%
Office equipment.....	+ 1.1%
Paints & varnishes.....	+ 0.3%
Petroleum products.....	+ 8.5%
Pharmaceuticals.....	+11.4%
Public utilities.....	+14.6%
Publishers, printers & broadcasters.....	+16.3%
Sporting goods & toys.....	+11.0%
Toiletries & cosmetics.....	+10.2%
Distributors & wholesalers....	+ 8.2%
Retailers.....	+ 4.1%

Group trips remain the more popular mode of travel, favored by 54 percent of users; 50 percent offer individual travel awards to winners, and the 4 percent who overlap presumably offer both varieties.

Group trips average 160 people, with an average stay of 5 nights. Fifty-seven percent of users conduct some business meetings at the destination—an average of 11.2 hours per trip.

Many users—53 percent of respondents—continue to mix merchandise awards in with their travel. This, however, includes some who view merchandise mainly as an adjunct to a trip, rather than as a separate tier of awards. But most proponents of a mixed-award structure see merchandise items as a means of adding dimension to the campaign—providing motivation for the people who may not qualify for the incentive journey.

CONSUMER PREMIUMS

Makers of food products; toiletries and cosmetics, and beer, ale and soft drinks—the three largest consumer premium users—increased their consumer-promotion budgets by an overall 11.3 percent and spent 12.5 percent more to motivate dealers. But for their salespeople? A mere 3.7 percent increase in incentive spending.

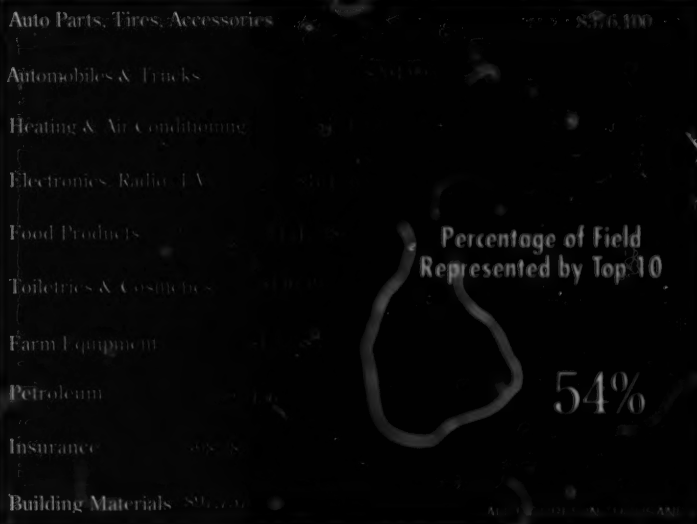
The detergents and cleansers category spent 7.6 percent more on consumer promotions, but put out 12 percent more for dealer incentives. And, though the detergent group is the second largest user of sales incentives, it boosted sales-force motivation spending only 2.5 percent this year.

For all industries, consumer premium efforts increased by a moderate 7.1 percent, suggesting that except for the three front-runners, industries held the line on consumer-premium spending.

A handful of industries, notably those selling products through supermarkets, have kept up their consumer promotion spending—up a respectable 6.6 percent this year. However, these marketers may be sending a signal about the economy: In a separate survey conducted earlier this year by **Incentive**, 102 companies said they planned to spend 15 percent more for consumer promotions than they had in 1989.

In this survey, spending rates for nine industries actually showed minus figures, while six failed to keep up with inflation. The major exceptions to the turnaround came in four industries, three of them among the top four users of consumer premi-

Top 10 Dealer Incentive Users (1990)



ums: food products, up by 10.9 percent; paper products and packaging, 10.2 percent; publishers, printers and broadcasters, 14.4 percent, and toiletries and cosmetics, 13.3 percent.

The third and fifth user industries also were more than the average—beer, ale and soft drinks, 7.6 percent, and detergents and cleansers, 6.7 percent.

In addition to being among the largest users of consumer promotions, these industries—except for publishers, printers and broadcasters—also are heavily supermarket-oriented in their distribution. Two other industries outside that arena also reflected good advances: electric appliances, up 6.9 percent, and feed, fertilizer and farm supplies, adding 6.8 percent.

Supermarkets themselves also did a brisk promotional business this year, increasing consumer promotion by 9.6 percent; but the larger retail universe was fairly inactive, resulting in a weak overall showing from the retail realm.

This is how the 31 listed industries showed up in the final estimates for the year:

Apparel	- 3.6%
Auto parts, tires & accessories	- 0.6%
Automobiles & trucks	+ 2.6%
Banks and savings & loans	- 7.1%

Beer, ale & soft drinks	+ 7.6%
Building materials	+ 4.4%
Detergents & cleansers	+ 6.7%
Electric appliances	+ 6.9%
Electrical & lighting equipment	- 3.2%
Electronics, radio & TV	+ 4.6%
Farm equipment	- 2.7%
Feed, fertilizer & farm supplies	+ 6.8%
Food products	+ 10.9%
Furniture & floor coverings	+ 3.5%
Hardware	- 2.1%
Heating & air conditioning	+ 0.4%
Housewares & home furnishings	- 5.2%
Industrial chemicals	+ 2.4%
Insurance	+ 1.7%
Machinery & supplies	+ 5.4%
Office equipment	- 1.5%
Paints & varnishes	- 5.9%
Paper products & packaging	+ 10.2%
Petroleum products	- 2.2%
Pharmaceuticals	+ 2.9%
Public utilities	+ 2.5%
Publishers, printers & broadcasters	+ 14.4%
Sporting goods & toys	- 3.1%
Toiletries & cosmetics	+ 13.3%
Distributors & wholesalers	+ 3.3%
Retailers	+ 5.6%

Which types of promotions were most popular? Mail-in promos—self-liquidators, free mail-in offers and

sweepstakes—showed good growth, with a 7.7 percent increase for the year. Direct premiums, including factory-packs and coupon or frequent-buyer plans, gained 6.4 percent. Here are this year's estimates for consumer promotions offered by manufacturers and wholesalers (in thousands of dollars):

Self-liquidators	\$1,433,829
Free mail-ins	666,856
Sweepstakes & games	302,365
Direct premiums (with product)	1,208,631
Factory-packs	622,541
Coupon plans	442,418

Retailers' promotions to consumers are estimated at more than \$1.7 billion—almost 80 percent of it in the grocery field.

The following is the breakdown of the principal segments of supermarket incentive usage:

Continuity promotions	\$963,814
(piece-a-week and tape-redemption plans)	
Frequent-buyer programs	294,945
(including trading stamps)	
Games & sweepstakes	120,797

While supermarket promoters added an estimated 9.6 percent to their incentive budgets this year, most other retail industries actually reduced their promotion substantially, resulting in a sluggish overall increase of just 5.6 percent.

Measuring sales effects in consumer promotions is less exact than with trade promotions, but point-of-purchase display usage, especially pertinent in the packaged-goods arena, shows positive results: Survey respondents reported a 27 percent average increase in display use, compared with 25 percent in 1989.

BUSINESS GIFTS

Spending for business gifts this year grew by 7.4 percent, although the unit cost fell to an average of \$57—quite a bit less than the \$88 spent a year ago. The median unit cost, however, stayed at \$20.

Food items were given by 30 percent of the respondents; clocks and watches, 22 percent; pens or pencils,

20 percent; and calendars or diaries, 19 percent. These gifts, however, represent a small sampling of the hundreds of items listed in the survey. Top gift givers: salespeople, 61 percent of the time, and executives, 31 percent.

Generosity in business tends to come but once a year, and that likely time continues to be Christmas, representing 74 percent of all gift-giving occasions. Forty-two percent of survey respondents also checked off "other occasion" (usually denoting a sales-related event). Practicality was "in" this year, with 69 percent of surveyed users presenting gifts bearing a company imprint.

A large part of increased gift purchasing came from a relatively small number of industries; six of them, plus the wholesale and retail groups, raised their budgets by major percentages—more than 10 percent. The biggest spending splurge was reported by building materials, up 19.1 percent. Electrical and lighting equipment makers increased their gift buying by 15.4 percent; public utilities, 13.4 percent; pharmaceuticals, 13.2 percent; paper products and packaging, 11.2 percent, and machinery and supplies, 10.7 percent.

The three industries known as the biggest gift givers pulled back some-

what this year: auto parts, tires and accessories increased by 3.4 percent, toiletries and cosmetics by 1.6 percent, and automobiles and trucks by 0.9 percent. Three industries decreased their dollar expenditures from 1989 levels.

Here is how the industries stack up as givers this year:

Apparel	+ 4.1%
Auto parts, tires & accessories	+ 3.4%
Automobiles & trucks	+ 0.9%
Banks and savings & loans	+ 8.0%
Beer, ale & soft drinks	+ 5.3%
Building materials	+19.1%
Detergents & cleansers	+ 1.4%
Electric appliances	+ 8.3%
Electrical & lighting equipment	+15.4%
Electronics, radio & TV	-1.3%
Farm equipment	+ 3.5%
Feed, fertilizer & farm supplies	- 2.1%
Food products	+ 8.8%
Furniture & floor coverings	+ 3.4%
Hardware	+ 8.1%
Heating & air conditioning	+ 2.0%
Housewares & home furnishings	+ 8.5%
Industrial chemicals	+ 8.9%
Insurance	+ 9.3%
Machinery & supplies	+10.7%
Office equipment	+ 0.7%
Paints & varnishes	+ 3.2%

Top 10 Incentive Travel Users (1990)

Insurance	\$129,043
Auto Parts, Tires, Accessories	\$101,040
Electronics, Radio, TV	\$100,130
Automobiles & Trucks	\$108,277
Heating & Air Conditioning	\$70,000
Office Equipment	\$101,701
Farm Equipment	\$100,000
Appliances	\$100,000
Building Materials	\$100,000
Toiletries	\$86,795

Percentage of Field
Represented by Top 10

56%

ALL FIGURES IN THOUSANDS

Paper products & packaging+11.2%
 Petroleum products-5.1%
 Pharmaceuticals+13.2%
 Public utilities+13.4%
 Publishers, printers & broadcasters ...+ 6.6%
 Sporting goods & toys+ 7.3%
 Toiletries & cosmetics+ 1.6%
 Distributors & wholesalers ...+10.0%
 Retailers+15.8%

Who gets the gifts? Items are still given principally to major customers, as reported by 65 percent of surveyed users. Employees are favored by 42 percent, while 31 percent give to "all or most" customers and 19 percent give to prospects.

Finally, while the old adage states that it may indeed be better to give than to receive, survey respondents seem to have little choice: They reported getting an average of only

seven business gifts in the last 12 months.

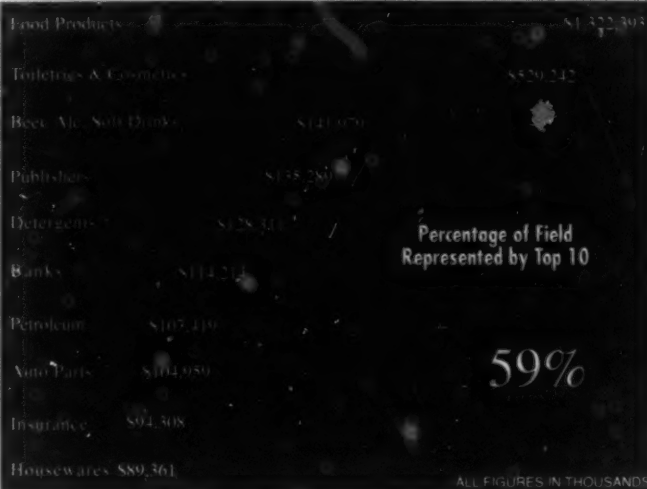
NON-SALES AWARDS

Non-sales incentive programs are growing. In 1989, the first year such awards were included in *Incentive's* annual surveys, about 24 percent of respondents showed expenditures

mature programs using tangible awards—became more evident.

The portion of award budgets for merchandise incentives jumped by 14.5 percent, principally at the expense of cash awards. Many employers have long considered that a few more dollars in the paycheck would provide motivation in the

Top 10 Consumer Premium Users (1990)



for employee programs; this year, the figure hit 27 percent. The true usage by these firms is probably somewhat higher, since the respondents may not always do the planning (or buying for) employee incentive programs.

Incentives for non-sales employees showed little real growth in dollars, with spending up about 4.7 percent. But another kind of growth—more

MANUFACTURING INDUSTRIES

	EXPENDITURES 1990		EXPENDITURES 1989	
APPAREL	\$ 63,982,000	+ 2.5%	\$ 62,447,000	+ 3.4%
• TRADE INCENTIVES				
Sales force merchandise	\$ 20,921,000	+ 8.9%	\$ 19,211,000	+13.1%
Sales force travel	\$ 4,725,000	- 3.7%	\$ 4,907,000	+11.8%
Dealer merchandise	\$ 8,354,000	+ 2.8%	\$ 8,127,000	+ 2.2%
Dealer travel	\$ 452,000	- 4.1%	\$ 471,000	+14.0%
• BUSINESS GIFTS	\$ 11,760,000	+ 4.1%	\$ 11,297,000	+ 3.6%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 8,217,000	- 4.3%	\$ 8,586,000	- 6.2%
Other premiums	\$ 9,553,000	- 3.0%	\$ 9,848,000	- 7.1%
AUTO PARTS, TIRES, ACCESSORIES	\$ 955,838,000	+ 6.8%	\$ 895,326,000	+ 4.4%
• TRADE INCENTIVES				
Sales force merchandise	\$ 255,869,000	+ 7.9%	\$ 237,135,000	+ 1.0%
Sales force travel	\$ 106,743,000	- 0.3%	\$ 107,064,000	+ 4.4%
Dealer merchandise	\$ 289,797,000	+13.5%	\$ 255,328,000	+ 3.3%
Dealer travel	\$ 86,303,000	+ 5.6%	\$ 81,726,000	+11.0%
• BUSINESS GIFTS	\$ 112,167,000	+ 3.4%	\$ 108,479,000	+ 6.1%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 78,241,000	- 2.7%	\$ 80,412,000	+ 8.6%
Other premiums	\$ 26,718,000	+ 6.1%	\$ 25,182,000	+ 7.3%

work place. But in sustained practice, experience shows that this occurs only where personnel are underpaid to begin with. When basic compensation is adequate, it takes something extra—and something tangible—to motivate people to greater performance.

Apart from assets of tangibility and recognition, there is another very real inducement for using merchandise rather than money prizes.

In safety-based incentive programs, recent tax law provides distinct benefits for tangible awards: They are tax-deductible for the company and excluded from employees' taxable income, within prescribed limits—generally up to \$400 per employee per year. In a formal incentive program, individual awards may reach

Top 10 Business Gift Users (1990)



\$1,600, so long as the \$400 average is not exceeded. But cash awards are taxable at both ends. Legislation pending in Congress would extend the same benefits to awards for productivity as well as safety.

While cash is still the leading award—paid out by 57 percent—merchandise alternatives are gain-

ing popularity: 35 percent use selected items, 25 percent offer catalogues and 32 percent give plaques and jewelry. Travel is featured by 27 percent of these companies, and 32 percent give miscellaneous types of awards such as company dinners, entertainment, extra time off and company stock. Nine percent confer honorary titles, usually with a tangible award.

Productivity tends to be the major goal of employee incentive programs, with office productivity cited by 47 percent of respondents, and plant productivity close behind at 42 percent. Thirty-five percent give awards for safety; quality control follows at 34 percent. The companies that used non-sales awards listed an average of 2.5 objectives for their employee motivation plans. □

	EXPENDITURES 1990		EXPENDITURES 1989	
AUTOMOBILES & TRUCKS	\$ 564,829,000	+11.8%	\$ 505,331,000	+13.6%
● TRADE INCENTIVES				
Sales force merchandise	\$ 245,885,000	+17.6%	\$ 209,086,000	+18.8%
Sales force travel	\$ 32,063,000	+ 3.1%	\$ 31,099,000	+18.1%
Dealer merchandise	\$ 58,685,000	+ 5.8%	\$ 55,468,000	+16.6%
Dealer travel	\$ 146,310,000	+13.8%	\$ 128,568,000	+ 9.2%
● BUSINESS GIFTS	\$ 79,140,000	+ 0.9%	\$ 78,434,000	+ 5.2%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 1,154,000	- 2.3%	\$ 1,181,000	- 4.0%
Other premiums	\$ 1,592,000	+ 6.5%	\$ 1,495,000	+10.3%
BEER, ALE & SOFT DRINKS	\$ 273,288,000	+ 6.7%	\$ 256,166,000	+ 6.3%
● TRADE INCENTIVES				
Sales force merchandise	\$ 66,065,000	+ 1.6%	\$ 65,025,000	+ 5.6%
Sales force travel	\$ 14,433,000	+ 9.4%	\$ 13,157,000	+ 6.5%
Dealer merchandise	\$ 32,404,000	+14.2%	\$ 28,375,000	+ 9.5%
Dealer travel	\$ 6,530,000	+ 2.3%	\$ 6,383,000	+ 7.5%
● BUSINESS GIFTS	\$ 11,877,000	+ 5.3%	\$ 11,279,000	+ 5.4%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 90,559,000	+ 9.7%	\$ 82,552,000	+ 8.4%
Other premiums	\$ 51,420,000	+ 4.1%	\$ 49,395,000	+ 2.1%

	EXPENDITURES 1990		EXPENDITURES 1989	
BUILDING MATERIALS	\$ 398,735,000	+ 7.5%	\$ 371,000,000	+ 9.7%
• TRADE INCENTIVES				
Sales force merchandise	\$ 157,874,000	+ 9.4%	\$ 144,309,000	+18.3%
Sales force travel	\$ 41,578,000	+ 4.9%	\$ 39,636,000	+12.5%
Dealer merchandise	\$ 64,960,000	+ 0.5%	\$ 64,637,000	+ 2.1%
Dealer travel	\$ 32,797,000	+ 1.3%	\$ 32,376,000	+ 6.4%
• BUSINESS GIFTS	\$ 60,795,000	+19.1%	\$ 51,045,000	+ 2.0%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 16,642,000	+ 3.8%	\$ 16,033,000	+ 4.7%
Other premiums	\$ 24,089,000	+ 4.9%	\$ 22,964,000	+ 5.1%
DETERGENTS & CLEANSERS	\$ 249,283,000	+ 9.0%	\$ 237,959,000	+ 6.0%
• TRADE INCENTIVES				
Sales force merchandise	\$ 72,011,000	+ 2.5%	\$ 70,255,000	+ 6.4%
Sales force travel	\$ 3,066,000	+ 2.1%	\$ 3,003,000	+ 1.2%
Dealer merchandise	\$ 34,786,000	+ 3.6%	\$ 33,577,000	+ 9.4%
Dealer travel	\$ 907,000	+10.4%	\$ 822,000	+ 7.3%
• BUSINESS GIFTS	\$ 10,202,000	+ 1.4%	\$ 10,061,000	+ 4.5%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 83,958,000	+ 7.2%	\$ 78,319,000	+ 5.5%
Other premiums	\$ 44,353,000	+ 5.8%	\$ 41,922,000	+ 4.2%
ELECTRIC APPLIANCES	\$ 242,443,000	+ 6.6%	\$ 227,363,000	+ 6.1%
• TRADE INCENTIVES				
Sales force merchandise	\$ 36,633,000	+ 7.8%	\$ 33,982,000	+ 5.5%
Sales force travel	\$ 13,782,000	+ 3.4%	\$ 13,329,000	+ 2.2%
Dealer merchandise	\$ 34,662,000	+ 2.9%	\$ 33,685,000	+ 4.1%
Dealer travel	\$ 61,894,000	+ 7.2%	\$ 57,737,000	+12.2%
• BUSINESS GIFTS	\$ 54,977,000	+ 8.3%	\$ 50,764,000	+ 2.4%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 21,447,000	+ 6.8%	\$ 20,081,000	+ 5.2%
Other premiums	\$ 19,048,000	+ 7.1%	\$ 17,785,000	+ 6.8%
ELECTRICAL & LIGHTING EQUIPMENT	\$ 143,497,000	+ 9.4%	\$ 131,159,000	+ 3.5%
• TRADE INCENTIVES				
Sales force merchandise	\$ 25,061,000	+11.5%	\$ 22,476,000	+ 4.2%
Sales force travel	\$ 10,296,000	+14.1%	\$ 9,024,000	+ 5.4%
Dealer merchandise	\$ 43,348,000	+ 6.0%	\$ 40,894,000	+ 6.6%
Dealer travel	\$ 17,706,000	+11.6%	\$ 15,866,000	+ 6.2%
• BUSINESS GIFTS	\$ 34,530,000	+15.4%	\$ 29,922,000	+ 1.3%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 5,190,000	- 2.0%	\$ 5,296,000	- 8.1%
Other premiums	\$ 7,366,000	- 4.1%	\$ 7,681,000	- 4.4%
ELECTRONICS, RADIO & TV	\$ 525,821,000	+ 5.3%	\$ 499,504,000	+ 4.8%
• TRADE INCENTIVES				
Sales force merchandise	\$ 200,279,000	+ 4.7%	\$ 191,289,000	+ 6.5%
Sales force travel	\$ 65,134,000	+19.3%	\$ 54,597,000	+ 6.4%
Dealer merchandise	\$ 47,260,000	+ 2.4%	\$ 46,152,000	- 3.0%
Dealer travel	\$ 117,002,000	+ 3.7%	\$ 112,827,000	+ 8.5%
• BUSINESS GIFTS	\$ 47,354,000	- 1.3%	\$ 47,978,000	- 2.3%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 18,163,000	+11.6%	\$ 16,275,000	+ 7.8%
Other premiums	\$ 30,629,000	+ 0.8%	\$ 30,386,000	+ 0.9%

	EXPENDITURES 1990		EXPENDITURES 1989	
FARM EQUIPMENT	\$ 220,857,000	+ 1.7%	\$ 217,253,000	+ 0.4%
• TRADE INCENTIVES				
Sales force merchandise	\$ 28,751,000	+ 2.4%	\$ 28,077,000	+ 4.5%
Sales force travel	\$ 32,536,000	+ 6.1%	\$ 30,665,000	+ 8.6%
Dealer merchandise	\$ 70,029,000	- 0.7%	\$ 70,523,000	- 3.1%
Dealer travel	\$ 67,554,000	+ 2.0%	\$ 66,229,000	+ 0.8%
• BUSINESS GIFTS	\$ 13,634,000	+ 3.5%	\$ 13,173,000	- 5.1%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 3,934,000	- 3.6%	\$ 4,081,000	- 7.1%
Other premiums	\$ 4,419,000	- 1.9%	\$ 4,505,000	- 2.2%
FEED, FERTILIZER & FARM SUPPLIES	\$ 235,352,000	+ 4.9%	\$ 224,382,000	+15.0%
• TRADE INCENTIVES				
Sales force merchandise	\$ 40,388,000	- 3.4%	\$ 41,810,000	+16.5%
Sales force travel	\$ 18,260,000	+ 8.1%	\$ 16,892,000	+14.2%
Dealer merchandise	\$ 56,083,000	+ 6.3%	\$ 52,759,000	+20.6%
Dealer travel	\$ 32,728,000	+11.1%	\$ 29,458,000	+17.1%
• BUSINESS GIFTS	\$ 13,674,000	- 2.1%	\$ 13,967,000	+ 6.1%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 20,400,000	+ 8.4%	\$ 18,819,000	+ 3.1%
Other premiums	\$ 53,119,000	+ 6.2%	\$ 50,677,000	+14.7%
FOOD PRODUCTS	\$1,792,352,000	+10.0%	\$1,629,594,000	+ 4.6%
• TRADE INCENTIVES				
Sales force merchandise	\$ 232,883,000	+ 6.2%	\$ 211,287,000	+14.9%
Sales force travel	\$ 36,680,000	+ 2.8%	\$ 35,681,000	+ 1.1%
Dealer merchandise	\$ 138,634,000	+11.2%	\$ 124,671,000	- 3.3%
Dealer travel	\$ 12,614,000	+ 6.6%	\$ 11,833,000	- 3.1%
• BUSINESS GIFTS	\$ 49,148,000	+ 8.8%	\$ 45,173,000	+ 8.1%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 713,397,000	+ 9.4%	\$ 652,100,000	+ 3.7%
Other premiums	\$ 608,996,000	+12.6%	\$ 540,849,000	+ 3.4%
FURNITURE & FLOOR COVERINGS	\$ 103,496,000	+ 8.6%	\$ 95,323,000	+ 1.2%
• TRADE INCENTIVES				
Sales force merchandise	\$ 15,885,000	+11.1%	\$ 14,298,000	- 5.2%
Sales force travel	\$ 4,512,000	+10.4%	\$ 4,087,000	+ 3.9%
Dealer merchandise	\$ 44,689,000	+ 9.9%	\$ 40,663,000	+ 1.4%
Dealer travel	\$ 20,923,000	+ 8.0%	\$ 19,373,000	+ 7.0%
• BUSINESS GIFTS	\$ 7,506,000	+ 3.4%	\$ 7,259,000	- 3.4%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 5,821,000	+ 3.3%	\$ 5,635,000	+ 2.7%
Other premiums	\$ 4,160,000	+ 3.8%	\$ 4,008,000	+ 1.0%
HARDWARE	\$ 37,763,000	+ 6.0%	\$ 35,625,000	+ 0.8%
• TRADE INCENTIVES				
Sales force merchandise	\$ 12,214,000	+16.8%	\$ 10,457,000	+ 3.2%
Sales force travel	\$ 3,063,000	+11.1%	\$ 2,757,000	+ 2.8%
Dealer merchandise	\$ 9,493,000	- 0.9%	\$ 9,579,000	+ 3.1%
Dealer travel	\$ 1,326,000	+15.4%	\$ 1,149,000	+ 3.4%
• BUSINESS GIFTS	\$ 2,412,000	+ 8.1%	\$ 2,231,000	- 4.1%
• CONSUMER PREMIUMS				
Mail-in promotions	\$ 4,758,000	- 2.4%	\$ 4,875,000	- 2.8%
Other premiums	\$ 4,497,000	- 1.8%	\$ 4,579,000	- 4.3%

	EXPENDITURES 1990		EXPENDITURES 1989	
HEATING & AIR CONDITIONING	\$ 332,809,000	+ 6.9%	\$ 311,309,000	+ 5.2%
● TRADE INCENTIVES				
Sales force merchandise	\$ 48,994,000	+ 3.8%	\$ 47,200,000	+14.8%
Sales force travel	\$ 59,656,000	+10.9%	\$ 53,793,000	+ 9.4%
Dealer merchandise	\$ 114,547,000	+ 8.1%	\$ 105,964,000	+ 1.8%
Dealer travel	\$ 59,983,000	+ 8.3%	\$ 55,386,000	+ 2.7%
● BUSINESS GIFTS	\$ 29,263,000	+ 2.0%	\$ 28,689,000	+ 3.1%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 6,739,000	- 3.3%	\$ 6,969,000	+ 2.4%
Other premiums	\$ 13,627,000	+ 2.4%	\$ 13,308,000	+ 3.2%
HOUSEWARES & HOME FURNISHINGS	\$ 208,723,000	+ 0.2%	\$ 209,235,000	- 1.0%
● TRADE INCENTIVES				
Sales force merchandise	\$ 55,192,000	+ 2.1%	\$ 54,057,000	+ 4.2%
Sales force travel	\$ 10,327,000	+ 8.6%	\$ 9,509,000	+ 5.3%
Dealer merchandise	\$ 26,660,000	+ 3.4%	\$ 25,783,000	+ 1.7%
Dealer travel	\$ 7,479,000	+ 0.8%	\$ 7,420,000	+ 2.2%
● BUSINESS GIFTS	\$ 19,704,000	+ 8.5%	\$ 18,160,000	- 6.2%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 6,326,000	+ 4.3%	\$ 6,065,000	- 4.7%
Other premiums	\$ 83,035,000	- 5.9%	\$ 88,241,000	- 4.1%
INDUSTRIAL CHEMICALS	\$ 124,487,000	+ 4.5%	\$ 119,139,000	+ 6.3%
● TRADE INCENTIVES				
Sales force merchandise	\$ 30,485,000	+14.3%	\$ 26,671,000	+20.9%
Sales force travel	\$ 9,807,000	+15.1%	\$ 8,520,000	+23.3%
Dealer merchandise	\$ 35,756,000	- 4.1%	\$ 37,285,000	- 2.0%
Dealer travel	\$ 7,355,000	- 3.9%	\$ 7,654,000	+ 1.4%
● BUSINESS GIFTS	\$ 20,777,000	+ 8.9%	\$ 19,079,000	+ 1.2%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 4,833,000	+ 0.6%	\$ 4,804,000	+ 3.1%
Other premiums	\$ 15,474,000	+ 2.3%	\$ 15,126,000	+ 7.8%
MACHINERY & SUPPLIES	\$ 187,866,000	+ 7.7%	\$ 174,394,000	+11.0%
● TRADE INCENTIVES				
Sales force merchandise	\$ 85,557,000	+10.1%	\$ 77,708,000	+15.3%
Sales force travel	\$ 35,754,000	+ 2.4%	\$ 34,916,000	+13.0%
Dealer merchandise	\$ 10,595,000	+ 6.3%	\$ 9,967,000	+12.2%
Dealer travel	\$ 15,033,000	+ 5.6%	\$ 14,236,000	+ 2.9%
● BUSINESS GIFTS	\$ 27,936,000	+10.7%	\$ 25,236,000	+ 6.3%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 7,034,000	+ 6.7%	\$ 6,592,000	- 3.8%
Other premiums	\$ 5,957,000	+ 3.8%	\$ 5,739,000	+ 4.1%
OFFICE EQUIPMENT	\$ 324,069,000	+ 1.0%	\$ 320,856,000	+11.5%
● TRADE INCENTIVES				
Sales force merchandise	\$ 66,552,000	+ 2.9%	\$ 64,676,000	+15.2%
Sales force travel	\$ 80,213,000	+ 0.3%	\$ 79,973,000	+21.7%
Dealer merchandise	\$ 37,768,000	+ 3.7%	\$ 36,420,000	+ 9.4%
Dealer travel	\$ 21,011,000	+ 4.1%	\$ 20,183,000	- 1.1%
● BUSINESS GIFTS	\$ 33,011,000	+ 0.7%	\$ 32,782,000	+ 3.8%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 11,493,000	+ 1.8%	\$ 11,290,000	+ 4.1%
Other premiums	\$ 74,021,000	- 2.0%	\$ 75,532,000	+ 8.2%

	EXPENDITURES 1990		EXPENDITURES 1989	
PAINTS & VARNISHES	\$ 68,325,000	- 2.9%	\$ 70,382,000	+ 0.1%
● TRADE INCENTIVES				
Sales force merchandise	\$ 15,946,000	- 2.6%	\$ 16,372,000	+ 2.9%
Sales force travel	\$ 6,017,000	+ 1.2%	\$ 5,946,000	+ 3.4%
Dealer merchandise	\$ 13,626,000	- 4.3%	\$ 14,238,000	+ 2.6%
Dealer travel	\$ 11,779,000	- 0.2%	\$ 11,803,000	+ 2.4%
● BUSINESS GIFTS	\$ 2,687,000	+ 3.2%	\$ 2,604,000	- 3.0%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 12,707,000	- 6.4%	\$ 13,576,000	- 7.1%
Other premiums	\$ 5,563,000	- 4.8%	\$ 5,843,000	- 4.4%
PAPER PRODUCTS & PACKAGING	\$ 101,772,000	+13.9%	\$ 89,353,000	+ 5.6%
● TRADE INCENTIVES				
Sales force merchandise	\$ 14,714,000	+25.5%	\$ 11,724,000	+ 7.8%
Sales force travel	\$ 12,421,000	+16.8%	\$ 10,634,000	+ 3.5%
Dealer merchandise	\$ 11,202,000	+12.3%	\$ 9,975,000	+ 3.4%
Dealer travel	\$ 6,479,000	+19.2%	\$ 5,435,000	+ 8.6%
● BUSINESS GIFTS	\$ 13,563,000	+11.2%	\$ 12,197,000	+ 1.4%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 24,420,000	+12.1%	\$ 21,784,000	+ 7.6%
Other premiums	\$ 18,977,000	+ 7.8%	\$ 17,604,000	+ 6.5%
PETROLEUM PRODUCTS	\$ 319,273,000	+ 3.0%	\$ 310,007,000	+ 5.1%
● TRADE INCENTIVES				
Sales force merchandise	\$ 68,769,000	+ 4.5%	\$ 65,808,000	+ 6.0%
Sales force travel	\$ 17,477,000	+ 6.7%	\$ 16,380,000	+ 1.9%
Dealer merchandise	\$ 92,749,000	+ 8.1%	\$ 85,799,000	+ 4.6%
Dealer travel	\$ 16,707,000	+10.4%	\$ 15,133,000	+ 5.7%
● BUSINESS GIFTS	\$ 16,152,000	- 5.1%	\$ 17,020,000	+ 1.8%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 40,757,000	- 2.6%	\$ 41,845,000	+ 4.1%
Other premiums	\$ 66,662,000	- 2.0%	\$ 68,022,000	+ 7.0%
PHARMACEUTICALS	\$ 205,124,000	+ 1.6%	\$ 201,877,000	+ 5.3%
● TRADE INCENTIVES				
Sales force merchandise	\$ 55,941,000	-10.9%	\$ 62,784,000	+ 7.3%
Sales force travel	\$ 21,418,000	+14.4%	\$ 18,722,000	+15.2%
Dealer merchandise	\$ 26,796,000	+ 3.7%	\$ 25,840,000	+ 6.2%
Dealer travel	\$ 11,039,000	+ 6.1%	\$ 10,404,000	+ 4.0%
● BUSINESS GIFTS	\$ 37,047,000	+13.2%	\$ 32,727,000	- 4.7%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 28,386,000	+ 9.9%	\$ 25,829,000	+ 7.6%
Other premiums	\$ 24,497,000	- 4.2%	\$ 25,571,000	+ 5.1%
SPORTING GOODS & TOYS	\$ 58,164,000	+ 4.3%	\$ 55,750,000	- 0.1%
● TRADE INCENTIVES				
Sales force merchandise	\$ 10,663,000	+ 8.0%	\$ 9,873,000	+ 3.8%
Sales force travel	\$ 7,549,000	+ 9.4%	\$ 6,900,000	+ 2.8%
Dealer merchandise	\$ 11,549,000	+ 7.2%	\$ 10,773,000	+ 1.1%
Dealer travel	\$ 5,373,000	+13.3%	\$ 4,742,000	+ 3.1%
● BUSINESS GIFTS	\$ 3,024,000	+ 7.3%	\$ 2,818,000	+ 1.0%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 9,715,000	- 3.4%	\$ 10,057,000	- 4.4%
Other premiums	\$ 10,291,000	- 2.8%	\$ 10,587,000	- 4.0%

	EXPENDITURES 1990		EXPENDITURES 1989	
TOILETRIES & COSMETICS	\$1,166,872,000	+ 8.9%	\$1,074,574,000	+11.8%
● TRADE INCENTIVES				
Sales force merchandise	\$ 355,392,000	+ 1.5%	\$ 350,140,000	+15.4%
Sales force travel	\$ 47,238,000	+11.8%	\$ 42,252,000	+ 8.7%
Dealer merchandise	\$ 126,938,000	+15.8%	\$ 109,618,000	+14.7%
Dealer travel	\$ 19,557,000	- 6.0%	\$ 18,384,000	+14.1%
● BUSINESS GIFTS	\$ 88,505,000	+ 1.6%	\$ 87,111,000	+ 5.4%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 247,807,000	+ 9.0%	\$ 227,346,000	+10.7%
Other premiums	\$ 281,435,000	+17.4%	\$ 239,723,000	+ 9.2%

MISCELLANEOUS MANUFACTURERS	\$ 980,139,000	+ 8.6%	\$ 902,297,000	+11.2%
● TRADE INCENTIVES				
Sales force merchandise	\$ 158,818,000	+ 5.2%	\$ 150,968,000	+12.3%
Sales force travel	\$ 48,030,000	+16.4%	\$ 41,263,000	+14.9%
Dealer merchandise	\$ 145,493,000	+ 8.8%	\$ 133,725,000	+ 7.6%
Dealer travel	\$ 34,831,000	+12.9%	\$ 30,851,000	+11.0%
● BUSINESS GIFTS	\$ 89,185,000	+ 3.6%	\$ 86,086,000	+ 4.0%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 176,144,000	+ 9.4%	\$ 161,009,000	+11.2%
Other premiums	\$ 327,638,000	+ 9.8%	\$ 298,395,000	+14.2%

SERVICE INDUSTRIES

	EXPENDITURES 1990		EXPENDITURES 1989	
BANKS AND SAVINGS & LOAN	\$ 220,687,000	- 0.7%	\$ 219,240,000	+ 4.1%
● TRADE INCENTIVES				
Sales force merchandise	\$ 45,507,000	+14.6%	\$ 39,709,000	+ 1.2%
Sales force travel	\$ 3,211,000	+13.5%	\$ 2,829,000	+10.7%
Dealer merchandise	\$ 2,160,000	- 4.1%	\$ 2,252,000	+ 3.3%
Dealer travel	\$ 380,000	+ 2.0%	\$ 373,000	+ 1.2%
● BUSINESS GIFTS	\$ 55,215,000	+ 8.0%	\$ 51,125,000	+ 3.6%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 19,618,000	- 2.0%	\$ 20,018,000	+ 4.1%
Other premiums	\$ 94,596,000	- 8.1%	\$ 102,934,000	+ 5.3%

DISTRIBUTORS & WHOLESALEERS	\$1,632,840,000	+ 8.9%	\$1,499,270,000	+ 9.7%
● TRADE INCENTIVES				
Sales force merchandise	\$ 514,390,000	+18.7%	\$ 433,353,000	+ 9.1%
Sales force travel	\$ 39,066,000	+12.1%	\$ 34,849,000	+ 7.6%
Dealer merchandise	\$ 168,268,000	+ 1.3%	\$ 166,109,000	+10.8%
Dealer travel	\$ 24,043,000	+ 2.5%	\$ 23,457,000	+ 7.5%
● BUSINESS GIFTS	\$ 296,721,000	+10.0%	\$ 269,746,000	+13.1%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 356,995,000	+ 8.7%	\$ 328,422,000	+ 8.6%
Other premiums	\$ 233,357,000	- 4.1%	\$ 243,334,000	+ 8.4%

	EXPENDITURES 1990		EXPENDITURES 1989	
INSURANCE	\$ 788,863,000	+ 8.1%	\$ 729,911,000	+ 6.6%
● TRADE INCENTIVES				
Sales force merchandise	\$ 278,810,000	+ 8.9%	\$ 256,024,000	+ 7.9%
Sales force travel	\$ 244,514,000	+ 8.7%	\$ 224,944,000	+ 8.4%
Dealer merchandise	\$ 13,556,000	- 8.7%	\$ 14,848,000	+ 0.7%
Dealer travel	\$ 84,829,000	+13.5%	\$ 74,739,000	- 4.4%
● BUSINESS GIFTS	\$ 72,846,000	+ 9.3%	\$ 66,648,000	+11.9%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 83,964,000	+ 1.1%	\$ 83,050,000	+ 7.1%
Other premiums	\$ 10,344,000	+ 7.1%	\$ 9,658,000	+11.9%
PUBLIC UTILITIES	\$ 30,526,000	+ 7.8%	\$ 28,305,000	+ 4.4%
● TRADE INCENTIVES				
Sales force merchandise	\$ 7,568,000	+ 2.8%	\$ 7,362,000	+ 5.8%
Sales force travel	\$ 4,121,000	+19.0%	\$ 3,463,000	+ 7.3%
Dealer merchandise	\$ 3,688,000	+11.8%	\$ 3,299,000	+ 5.0%
Dealer travel	\$ 391,000	+ 4.8%	\$ 373,000	+ 1.7%
● BUSINESS GIFTS	\$ 3,129,000	+13.4%	\$ 2,759,000	+ 2.6%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 5,581,000	+ 5.4%	\$ 5,580,000	+ 1.8%
Other premiums	\$ 5,748,000	+ 5.1%	\$ 5,469,000	+ 4.2%
PUBLISHERS, PRINTERS & BROADCASTERS	\$ 334,396,000	+ 9.5%	\$ 305,489,000	+ 6.0%
● TRADE INCENTIVES				
Sales force merchandise	\$ 111,019,000	+ 3.5%	\$ 107,265,000	+ 5.9%
Sales force travel	\$ 25,821,000	+17.4%	\$ 21,994,000	+10.8%
Dealer merchandise	\$ 15,295,000	+ 7.8%	\$ 14,188,000	+10.5%
Dealer travel	\$ 6,668,000	+12.2%	\$ 5,943,000	+ 9.4%
● BUSINESS GIFTS	\$ 40,304,000	+ 6.6%	\$ 37,809,000	+ 5.0%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 92,301,000	+14.2%	\$ 80,824,000	+ 5.3%
Other premiums	\$ 42,988,000	+14.8%	\$ 37,466,000	+ 4.3%
RETAILERS	\$2,990,246,000	+ 6.5%	\$2,807,083,000	+ 8.4%
● TRADE INCENTIVES				
Sales force merchandise	\$ 484,065,000	+ 8.4%	\$ 446,554,000	+ 4.7%
Sales force travel	\$ 324,967,000	+ 4.2%	\$ 311,869,000	+15.4%
Dealer merchandise	\$ 54,022,000	+ 0.7%	\$ 53,646,000	+ 8.8%
Dealer travel	\$ 42,557,000	+ 3.2%	\$ 41,237,000	+ 7.0%
● BUSINESS GIFTS	\$ 252,393,000	+15.8%	\$ 217,956,000	+ 3.9%
● CONSUMER PREMIUMS				
Games & sweepstakes	\$ 220,587,000	+ 6.9%	\$ 206,349,000	+ 4.2%
Direct & continuity	\$1,611,655,000	+ 5.4%	\$1,529,472,000	+ 9.5%
MISCELLANEOUS SERVICES	\$1,087,542,000	+ 7.1%	\$1,015,479,000	+ 8.1%
● TRADE INCENTIVES				
Sales force merchandise	\$ 333,737,000	+15.1%	\$ 289,702,000	+ 9.2%
Sales force travel	\$ 115,584,000	+ 4.2%	\$ 110,925,000	+10.1%
Dealer merchandise	\$ 149,989,000	+ 3.7%	\$ 144,637,000	+10.9%
Dealer travel	\$ 77,095,000	- 6.5%	\$ 82,455,000	+ 9.9%
● BUSINESS GIFTS	\$ 146,367,000	+ 1.9%	\$ 143,638,000	+ 6.3%
● CONSUMER PREMIUMS				
Mail-in promotions	\$ 196,049,000	+ 8.2%	\$ 181,191,000	+ 5.7%
Other premiums	\$ 68,721,000	+ 9.2%	\$ 62,931,000	+ 2.6%

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APRIL 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

WHY IT PAYS TO LOSE THE BALDRIGE COMPETITION

QUALITY IN D.C.
CAN TOTAL QUALITY
CLEAN UP OUR GOVERNMENT?

HELLO COLUMBUS
THREE SHIPS BRING
A NEW WORLD OF TIE-INS

DOING THE RIGHT THING
HOW ONE GROUP PROMOTES
ETHICS IN BUSINESS

N.Y. INCENTIVE SHOW
PREVIEW AND SCHEDULE

A BILL PUBLICATION

INCENTIVE



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Galvanizing the government 45



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Incentive covers all the ways companies motivate consumers to buy, salespeople to sell and employees to work more effectively, with a special emphasis on incentives, promotions and training.

COVER STORY

WHY IT PAYS TO LOSE THE BALDRIGE COMPETITION

"Losing" this national quality contest is proving to be the best thing that ever happened to some companies.

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FROM THE EDITOR

QUALITY, INSIDE AND OUT

BY BRUCE BOLGER



When this magazine changed its name to **Incentive** three years ago, it was based on the premise that a vital link exists between the ways companies market their products and motivate their employees. (Witness our cover slogan: "managing and marketing through motivation.")

With great pleasure, we've seen this premise dramatically reaffirmed by the Malcolm Baldrige National Quality Award winners who trumpet their victories in press releases, internal bulletins and ads. This desire to play up the award not only points to a new emphasis on quality as a competitive weapon, but also to quality's increased importance in the realm of marketing.

For years, the notion of quality existed only in the manufacturing arena. Quality was a cost—not a sales—issue. But when *marketers* demand quality, it suddenly becomes a sales issue—thus increasing its importance in the minds of corporate decision makers. The growing value of quality as a competitive tool in recent years has spurred increasing numbers of companies to make quality a top business priority.

Dedication to quality demands far more than clever ad slogans or empty promises. Understanding customers' needs and motivating *all* employees to meet those needs requires new levels of internal communication among salespeople, marketers and other employees.

Forging that link is no easy task. A wide gulf separates sales and marketing executives from the managers in operations, distribution and customer service—the people who must deliver on marketing promises. How often do you see sales executives hanging out with human resources or plant managers, or marketing employees in meetings with distribution people?

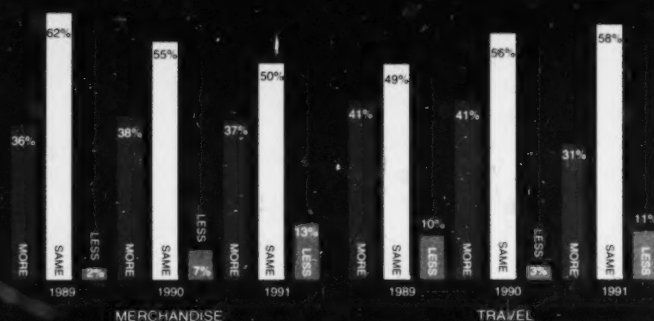
The quality process requires an understanding of operations by marketing people and a new emphasis on "internal marketing"—influencing and educating the people who deliver products and promises to customers. This dedication to quality also requires a new sort of sales and marketing executive, one who has a keen understanding of production, customer service and human resources issues.

Tomorrow's marketers will know as much about motivating their company's employees as they do about motivating their customers. Today's marketers still have a lot to learn about the critical role they can play in the quality movement.

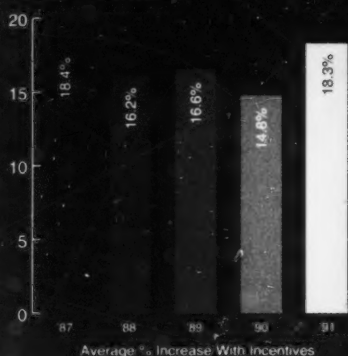
Bruce Bolger

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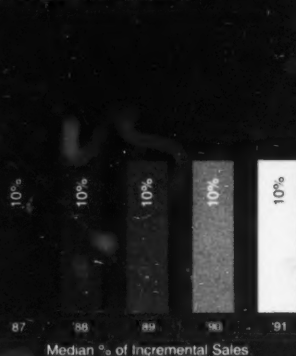
Spending Plans



Sales Gains



Program Costs



The slowdown in the growth of awards spending has not dampened predictions for good sales gains.

This year's survey of dealer-incentive users reveals two distinct trends: optimism...and pessimism. Users are projecting strong sales growth from receptive dealer markets, but they're also reporting rather parsimonious plans for incentive buying this year.

Incentive's 1991 survey shows that incentive users are budgeting an average of 4.8 percent more for dealer incentives this year than they spent in 1990. This would represent a minor expansion after inflation, but would also account for less than two-thirds of last year's estimated spending-growth rate of 7.6 percent.

The survey, which tabulated data for 1990 expenditures and 1991 budgets, indicates that if predictions come true for the entire year, dealer-

incentive users will spend an estimated \$148 million more than they did last year, for a total of about \$3.2 billion.

Despite the conservative plans, the same companies see strong results in their dealer incentive programs, anticipating sales gains averaging 18.3 percent—which, if they materialize, would produce the strongest showing since 1987. This compares with a projection of only 14.8 percent in last year's survey; it also substantially passes the actual sales gains registered—16.6 percent.

Optimism is reflected, too, in reports of dealer usage. Respondents claim an average of 53 percent of their target audiences participating in incentive campaigns, up two points from last year. As usual, merchandise and travel results differ—but not by

much—with 54 percent of qualifiers accepting merchandise awards and 52 percent qualifying for trips. The merchandise-travel balance, however, is more equal than in recent years. In 1990, for instance, merchandise outperformed travel, 55 percent to 47 percent.

Respondents indicate that the individual cost of incentive awards has increased greatly. The average merchandise ticket is put at \$295, \$100 more than last year, while the average trip cost rose to \$2,656 per person, up from from \$1,990 a year ago. The median costs—a more reliable measure than averages—also have jumped, with merchandise prizes hitting a median of \$125, compared with last year's \$60, and the travel median rising from \$1,500 to a new high of \$2,100.

FACTS SURVEY: DEALER INCENTIVES

On the bright side: predictions of stronger sales and more participants. On the gloomy side: slower growth for spending.

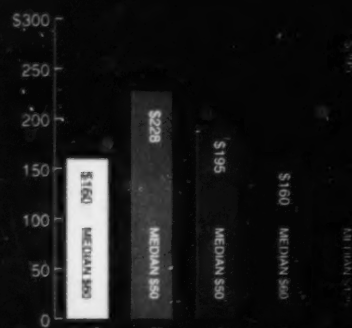
Despite the escalation in unit costs, these companies have apparently restructured programs in ways that have resulted in stable overall costs. The campaign cost, expressed as a percentage of incremental sales (the truest measure of value received) has held steady for the past six years, at a median of 10 percent. (The average has risen somewhat, from last year's 11.6 percent to 12.3 percent in this survey, suggesting some rise in total cost among users at the high end.)

In the face of huge increases in travel costs—the median program rose by 40 percent—respondents still put greater emphasis on travel spending than on merchandise programs. The average increase in travel budgets was 5.7 percent, versus a 4.3 percent projected increase

**The effects
of higher
award costs could
be offset by a
predicted rise
in dealer
participation.**

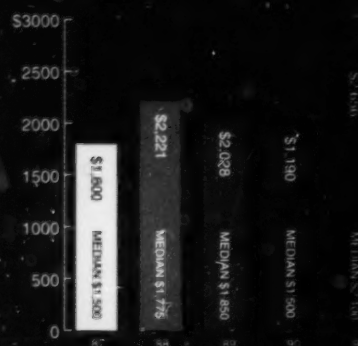
Merchandise Awards

Average Unit Cost



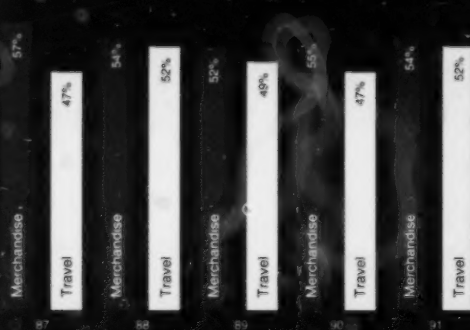
Travel Awards

Average Unit Cost



Dealer Participation

% Accepting Promotion



What Can Dealer Incentives Do?

65% Increase Overall Volume	30% Move Full Line/Slow Items
58% Introduce New Product	29% Offset Competition
45% Sell New Accounts	26% Bolster Slow Season
33% Improve Morale/Good Will	25% Support Consumer Promotion
32% Build Dealer Traffic	11% Prepare For Strong Season

in merchandise buying.

The numbers indicate that users are still relying mainly on travel to hit objectives such as building morale and good will. "Travel incentives seem to bring out the best in getting dealers motivated to doing an outstanding job," says Joseph J. Gurneak, director of training for Gulf Oil Corporation, Stewartsville, N.J. "Unlike merchandise, it affords dealers time to be with company management in a relaxing atmosphere, strengthening business relationships."

Yet, the percentage of firms planning to spend more for travel has dropped to its lowest point in several years—just 31 percent, whereas 41 to 44 percent reported higher travel budgets in the most recent surveys. And 11 percent—representing a high for the past four years—maintain that they are cutting back on travel spending.

The problem has intensified for merchandise users, whose median unit costs have more than doubled since last year. One visible adjustment has been the breakdown of total budgets: Users spent, on average, 23 percent of their budgets on promotional support—with a corresponding cut in the awards' share to 77 percent, down from 81 percent last year and as much as 85 percent in previous years. Rather than indicating a heightened level of promotional spending, this probably signals a cutback in the number of prizes.

Dealer incentives continue to be aimed at a wide variety of middlemen, with wholesalers representing the leading category this year. Here's how users targeted their promotions:

• Distributors and wholesalers	48%
• Specialty stores	29%
• Commercial and industrial dealers.....	21%
• Retail grocers	13%
• Service contractors.....	11%
• Drug stores	9%

- Variety and department stores.....8%
- Service stations.....7%

These marketers say they stage anywhere from one to 25 incentive

campaigns per year; the average is 4.7 and the median, 3.

Concerning program objectives, the majority of users—58 percent—run programs to push sales of a group of products, while 27 percent push their entire lines and 15 percent focus on single products. Sixty-five percent of this year's users claim that increasing volume is their key purpose for slating a program (although they also selected an average of 3.5 objectives, out of the 10 choices listed). Introducing new products is an unusually strong favorite among this year's goals, checked by 58 percent, versus last year's 43 percent. Another objective showing strength this year: selling new accounts, favored by 45 percent, 6 points ahead of last year's vote.

A broad set of objectives is followed by one California wholesaler: "We use merchandise incentives to build good will and, more importantly, reward outstanding performance by our dealers," he writes. "I want to build 'mind share,' amuse and motivate dealers to achieve their goals and my company's objectives through our incentive programs." Users in particular industries claim special objectives, too. In the printing trade, for example, Dave Brizius, director of advertising and marketing services for Copco Papers Inc., Columbus, Ohio, says, "Printers only buy when they have an order from their customer. Our main goal is: When a printer thinks about paper, make sure

HOW THEY DO IT

Who makes final buying decision

58% Pres., CEO, exec, v.p. or gen.mgr.
31% Director of sales or marketing
6% Product manager or merchandising manager
5% Director of advertising or sales promotion

How dealer incentives are promoted

84% Company sales force
56% Direct mail
43% Literature with product
37% Dealer sales meetings
33% Trade shows
21% Wholesalers or brokers
14% Trade-paper ads

When most promotions are launched

13% January	6% July
8% February	5% August
13% March	17% September
9% April	9% October
4% May	7% November
8% June	2% December

he thinks of Copco papers. We have thousands of items, and we direct contests to those who specify the paper to the printer."

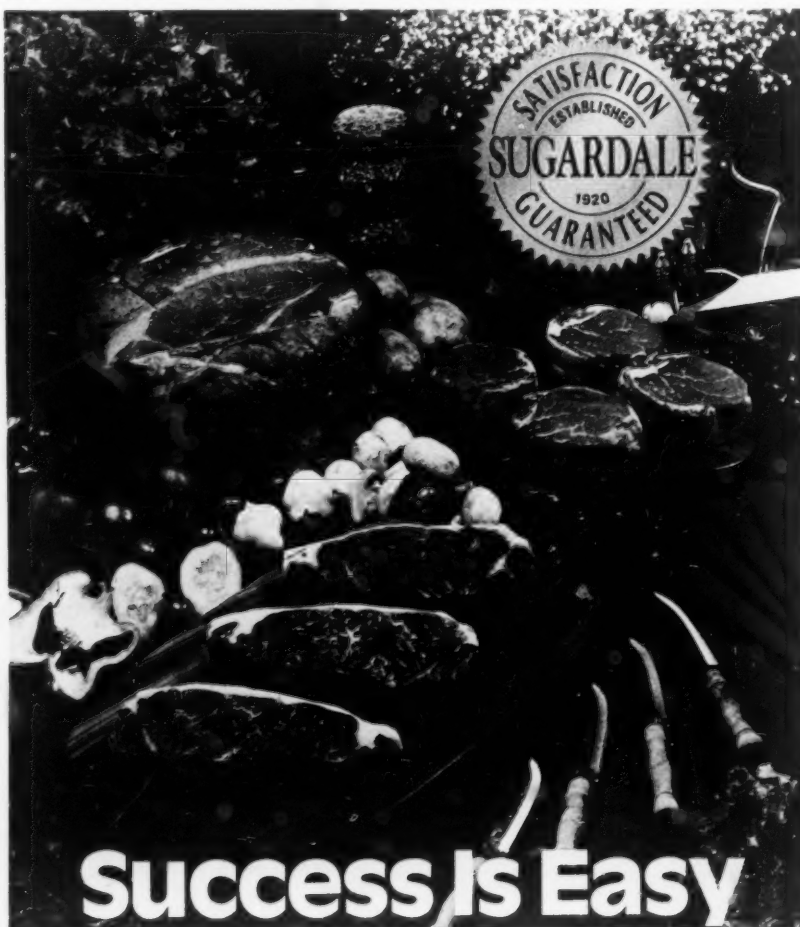
In other survey findings, users say they are spending about two weeks more than they did last year in planning programs. They took an average of 15 weeks to plan a merchandise-award campaign and 28 weeks to prepare a travel program.

The planning time tends to be longer than the duration of the promotion's actual selling period, survey results show. A special deal offering a premium with a specific product purchase runs an average of 8 weeks among these users; for a contest or sweepstakes, the length is 12 weeks. Travel campaigns average 29 weeks.

How do respondents measure

results against their objectives? There has been a marked shift in the answers among this year's surveyed executives, compared with responses a year ago. Last year, dealer orders had been the measure of choice by a small margin—46 percent—versus 41 percent who waited to count factory shipments for their evaluation. (The two should be equal, but they aren't.) This year, however, dealer orders are the criterion of choice, selected by 62 percent, while only 30 percent favor factory shipments.

The third touchstone—new accounts opened—was counted by 39 percent of the users. Sales-force reports get most of the remaining votes, with 34 percent using them to gauge results.



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Award Particulars

► Type of award most often used as dealer incentive:

(% OF TOTAL RESPONDENTS)

- 50% Own merchandise catalogue or selection
- 35% Individual travel
- 34% Group travel
- 32% Single premium or few related items
- 28% Merchandise from incentive firm's catalogue

► Type of merchandise considered most effective:

- 50% Personal items
- 46% Home or family items
- 26% Business-use items

► How merchandise premiums are delivered:

- 65% Shipped separately
- 33% Delivered by sales force
- 6% Packed by product

► Type of supplier generally used:

MERCHANDISE AWARDS

- 55% Wholesaler or premium jobber
- 45% Direct from manufacturer
- 33% Full-service incentive firm
- 31% Manufacturers' rep

TRAVEL AWARDS

- 56% Travel agent
- 30% Full-service incentive firm
- 26% Travel wholesaler
- 23% Travel carrier or hotel

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MAY 1991
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OF TWO SECTIONS

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

HOW LOUSY TEAMS FILL THE SEATS



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CAN JAPANESE MANAGERS
MOTIVATE AMERICAN
WORKERS?

INCENTIVE STRATEGY
LET YOUR SALESPeOPLE
DESIGN THE PROGRAM

KIDDING AROUND
THE MARKETING MAGIC
OF KIDS' CLUBS

A BILL PUBLICATION

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SECTION 2

HOW TO RUN
AN INCENTIVE PROGRAM

Cover illustration by Dennis Dittrich

Incentive covers all the ways companies motivate consumers to buy, salespeople to sell and employees to work more effectively, with a special emphasis on incentives, promotions and training.

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HOW LOUSY TEAMS FILL THE SEATS

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FROM THE EDITOR

ANTI- INCENTIVE?

BY BRUCE BOLGER



Some people have asked me why a magazine called **Incentive** would run a guest editorial opposing the use of incentives. They were referring to our April guest editorial ("Why Incentives Don't Work," page 6) by management consultant Philip B. Crosby.

While we're quite willing to run opinions contrary to our own, we happen to agree with most of what Crosby has to say. Essentially, he reviles quick-fix incentive programs that fail to address fundamental marketing and management problems. How could anyone disagree?

That simple premise helps explain why **Incentive** so often reports on efforts to improve the quality of products and services and the quality of the workplace. Without an emphasis on overall quality, incentives skirt the real issues involved with long-term sales success.

What the guest editorial doesn't mention is the role incentives can play when the quality process *is* in place. Incentives help commit employees to company objectives, create an atmosphere of excitement and fun, and provide concrete proof that management appreciates accomplishment.

YOU HEARD IT HERE FIRST...

Did you see the recent lead story on "Value Pricing" in The Wall Street Journal? We're proud to remind readers that they saw it first in **Incentive's** September 1990 cover story, "Demise of the Discount," and also in this column. The Wall Street Journal article, like the articles earlier in **Incentive**, identified a new pricing strategy employed by major companies that focuses on providing year-round value rather than cyclical, predictable markups and markdowns.

Savvy manufacturers who give customers what they want at the lowest possible price *all the time* don't have much need to discount; customers know the value of the new Macintosh Classic, for instance, without needing an additional discount to get their attention.

When value-pricers need to boost sales of specific products or of their overall line during particular periods, they'll discover that added-value offers can stimulate demand and get dealers and their salespeople more involved—without communicating to the consumer the availability of seasonal price cuts, a long-term danger to already slim profit margins.

When first reporting on this emerging strategy last year, we made one key mistake: We didn't assign a name to the trend. For that, we credit The Wall Street Journal. We expect to hear a lot more about "value pricing."

Bruce Bolger

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FACTS SURVEY CONSUMER INCENTIVES

Optimism amid the numbers: Spending projections rise, and so do expected sales gains.



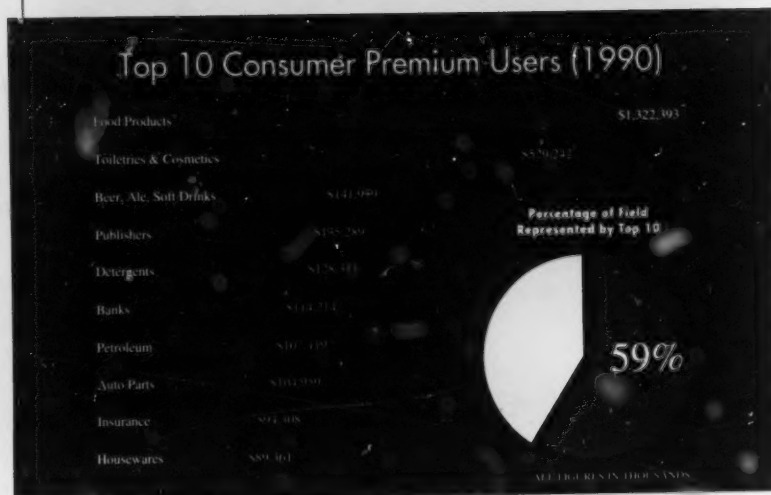
Can incentives prompt consumers to spend more during a recession? Many marketers seem to be betting on it, if their present premium budgets are an indicator.

In Incentive's survey of consumer incentive users, marketers indicate a 7.3 percent upswing in spending, an acceleration over last year's 6.6 percent pace.

The numbers also indicate that executives expect sales results from incentive programs to be a bit better than those realized in last year's consumer promotions—an average of 18.3 percent in projected increased volume, compared to the 18.1 percent estimated by a similar-sized group a year ago.

In other survey findings, last year appeared to be a healthy one for premium use in the supermarket—the scene of some of the heaviest promotional activity. The three top incentive-using industries—food products, toiletries and cosmetics, and beer, ale and soft drinks—performed well above the industry level of 6.6 percent. Food packers increased spending by 10.9 percent, toiletries firms by 13.3 percent and beverage companies by 7.6 percent. Another supermarket-distributed line—paper products—advanced spending by 10.2 percent.

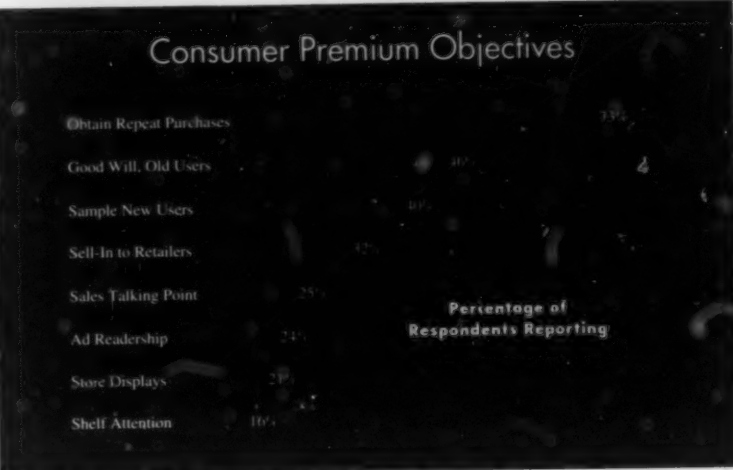
The only other substantial gain



was the 14.4 percent registered by publishers, printers and broadcasters, who rank fourth in the top-ten incentive-user list. The top four industries, in fact, accounted for 46 percent of all consumer promotion spending last year. The fifth-place industry, detergents and cleansers (also big in supermarkets) grew less, but posted a fairly respectable 6.7 percent increase. Most other industries lagged in 1990, displaying negative figures or spending growth that was lower than the inflation rate.

Supermarkets, meanwhile, enhanced their promotional activity by spending an estimated 9.6 percent more for incentive promotions, even though retailers in most other industries kept rather quiet.

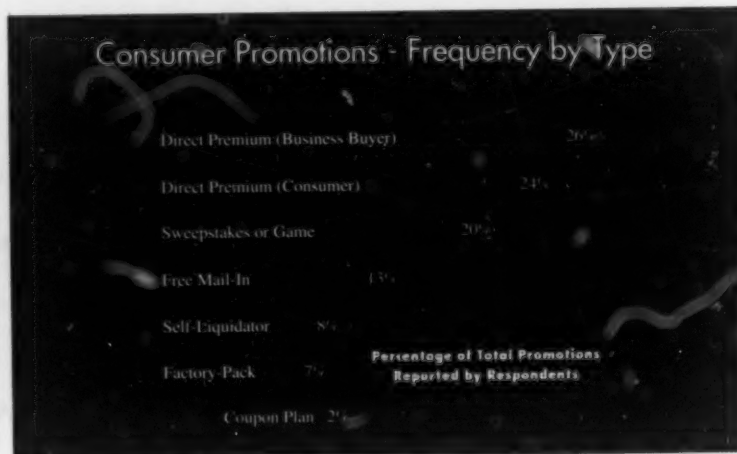
Overall, 47 percent of survey respondents say they are spending more for consumer incentives this year, while only 5 percent are cutting back. The remaining 48 percent plan



by fewer companies: 28 percent say they will offer self-liquidators and 26 percent free mail-ins. Sweepstakes rank high in popularity, chosen by 46 percent of respondents. About 20 percent say they pursue premium coupon or frequent-buyer plans.

Whatever their mode of promotion, users mention "frequent buyers"

their offers to consumers. Direct-mail remains the first choice by a healthy margin, with 60 percent using it. Newspapers and point-of-purchase advertising are next, favored equally by 37 percent each. TV and radio are used by 30 percent; trade publications, 29 percent; consumer magazines, 23 percent; free-standing inserts, 22 percent; and advertising on product packages, 21 percent.



the same expenditures as in 1990.

The average company in this group will spend an estimated \$721,000 for consumer premiums this year while conducting five promotions. On average, those promotions will take on at least two different forms, with direct-premium usage dominating: 64 percent of companies plan to offer direct premiums to consumers and 58 percent to business customers.

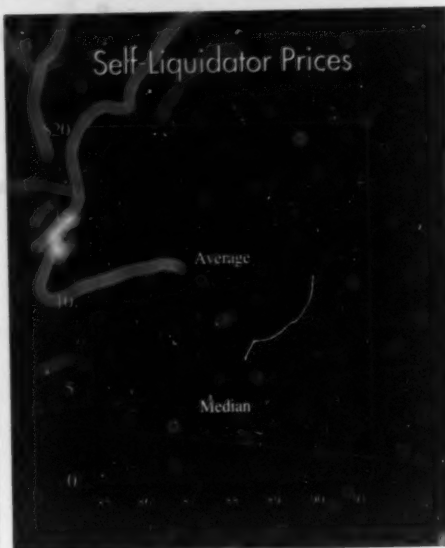
Mail-in promotions, while generally using more dollars, are favored

as their objective of choice: 73 percent say they want repeat purchases. Continuity of purchases is also an implicit goal in the second choice, "good will of old users," listed by 46 percent. The third most popular objective is "sample new users," chosen by 40 percent. (The eight objectives listed in the chart above total more than 100 percent because respondents report an average of 2.8 promotion goals.)

These marketers select almost as wide a variety of media to promote

Retailer support. Users of consumer incentives report improved performance of one medium—point-of-purchase—by offering consumer premiums. Marketers report that on average, normal display usage by retailers during a non-promotion period hits 47 percent. By adding a consumer offer, however, they say that on average, trade usage of point-of-purchase materials soars by 34 percent. Thus, an advertiser accustomed to seeing 47 percent of his displays on retailers' floors can expect to have about 63 percent go up when the piece advertises a consumer premium. Indeed, many consumer-goods marketers consider this gain a major benefit of the incentive offer. With this in mind, getting displays used in stores is listed as an important objective by 21 percent of survey respondents.

Some marketers offer dealers particular incentives to stimulate support, but the survey shows they're in the minority—about a third. In addition, this year's survey group is not as expansive in its dealer-spending projections as in its consumer spending: The group predicts only a



4.8 percent increase over last year's outlays. More, however, plan to offer sales incentives. In this survey, about 75 percent report plans for sales-force incentive programs, with a 7.4 percent average boost in their budgets.

Obviously, how incentive budgets

are applied varies considerably from company to company. But the averages emerging from the survey give a good portrait of users' approaches. For a direct premium program, for example, executives report their merchandise costs averaging 15 percent of the required consumer purchase. This means that a consumer purchase of \$10 would enable a free incentive offer costing the marketer about \$1.50.

When the free offer is a mail-in rather than direct premium with purchase, the budget formula waxes a bit more liberal: Among these marketers, an average incentive costs 20 percent. That's down from 22 percent in last year's survey and 23 percent in 1989.

Along with a free mail-in, of course, the marketer has the option of asking the customer to accumulate several

proofs of purchase to reach the required purchase level. In this year's survey, users say they ask for an average of five proofs. Simple arithmetic, then, dictates that for every five proofs of purchase amassed by a consumer for a product that costs \$1.89, the marketer can afford a \$1.89 cost for the premium. This also presumes that the advertiser collects a cash payment for postage and handling, a growing practice.

The survey did not cover such payments for so-called "free" offers, but it did ask a similar question concerning self-liquidating premium offers. In that case, users said they do add an extra shipping charge in 65 percent of cases—a much higher incidence than in previous surveys. Last year, only 36 percent said they added such charges.

Concerning self-liquidators, this survey reveals that users actually liquidate only 67 percent of the cost in the consumer price. This contravenes the original concept of the self-

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liquidator, that the consumer payment covered the entire cost of merchandise and handling and shipping. But that was 50 years ago, when postage and handling costs were far lower in relation to the merchandise cost of most items.

Self-liquidator asking prices have dropped among these users. Last year's offers averaged \$18.80; the present figure is just \$14.57. The median is also lower—\$6.95—down \$2 from last year's figure. Despite the seeming conservatism in their actual practices, these users have raised the ceiling on self-liquidators: The survey questionnaire asked, "At what price point do you believe consumer response drops significantly?"

This year the average response is \$68.15, compared with only \$54.22 a year ago.

Selecting premium items has never been an exact science. And, despite many years of users' (and their agencies') efforts at testing promotion ideas, the practice still remains

somewhat mysterious. Forty-five percent of respondents say they do attempt to test items for their mail-in offers, while 49 percent run tests on direct premiums.

Among those who do test the items they use, personal interviews are the favored method, chosen by 48 percent. About 36 percent test by mailing offers to groups of consumers. Twenty-nine percent prefer consumer panels, and 27 percent mail a questionnaire or ballot with several items offered. Store panel tests—perhaps the closest to simulating true promotion conditions—are difficult and costly, and thus are used by only 14 percent of these executives. Another 9 percent employ split-run newspaper ads and 7 percent use bounce-back offers.

Respondents report more reliable results than most survey groups in recent years. They claim an accuracy rate of plus or minus 17 percent in

Response Rates

Median number of responses per 1,000 advertising exposures for mail-in offers

	PRINT	BROADCAST	DISPLAY	PACKAGE
Self-liquidator under \$10	10	6	10	10
Self-liquidator \$10 or more	8	6	10	10
Free mail-in offer	17	10	13	14

predicting the response to an offer. Last year's survey average was 19 percent, and previous years' results have been even less impressive (22 and 26 percent in 1988 and 1989 respectively). The trend that seems to be surfacing: Consumer premium users are learning how to take at least some of the guesswork out of selecting promotional items.



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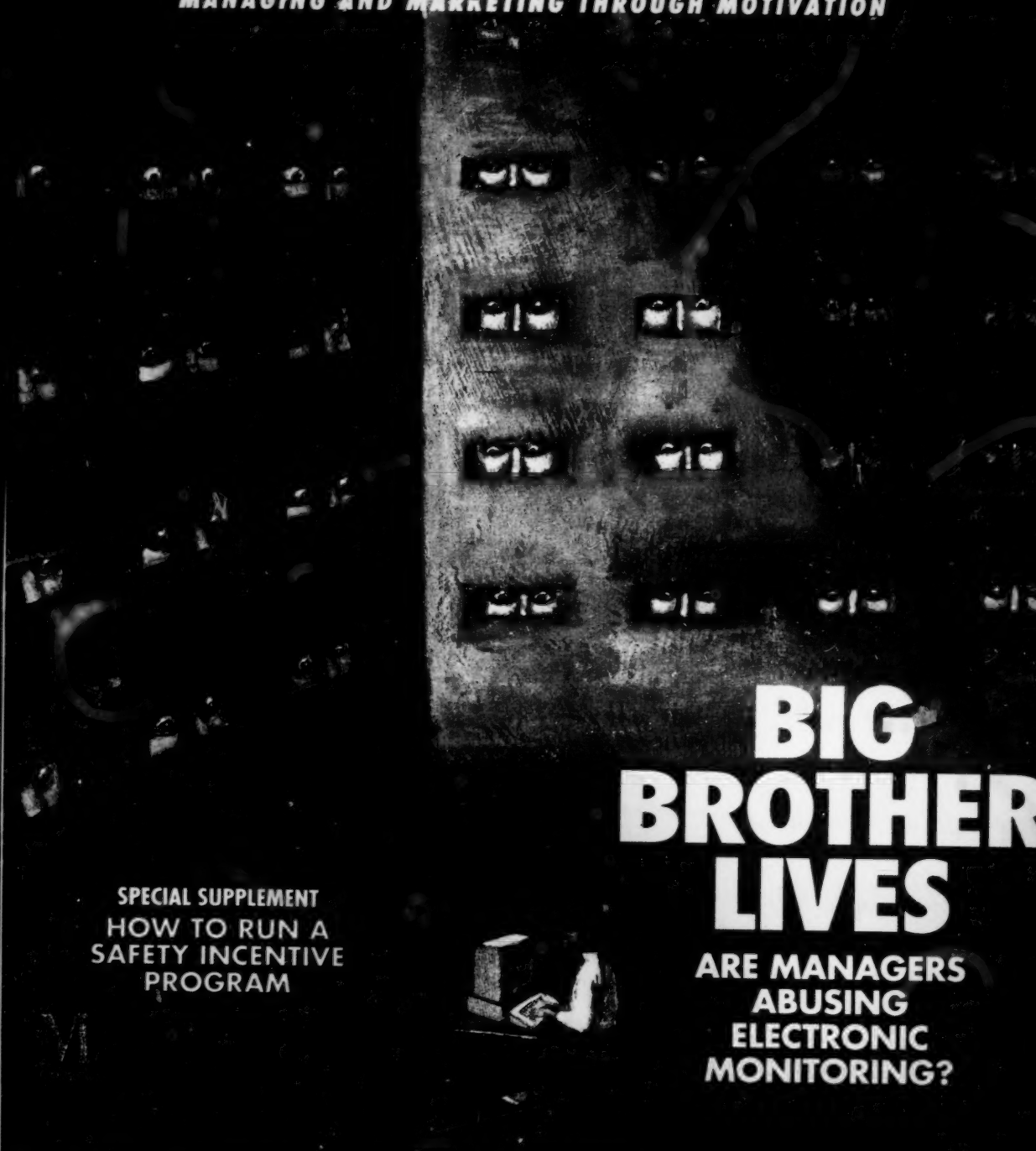
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SMALL BUSINESS STRATEGIES • RACETRACK MARKETING • DEALERS AS PARTNERS

JUNE 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



BIG BROTHER LIVES

SPECIAL SUPPLEMENT
HOW TO RUN A
SAFETY INCENTIVE
PROGRAM



ARE MANAGERS
ABUSING
ELECTRONIC
MONITORING?

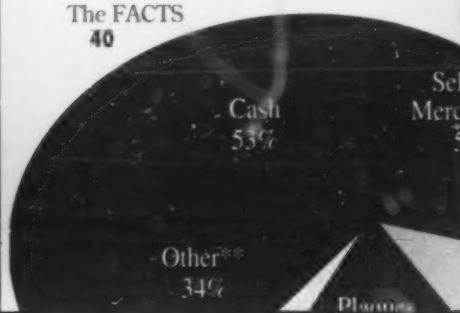
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INCENTIVE

28 Day at the races



The FACTS 40



No business
like small business
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HOW TO RUN A SAFETY INCENTIVE PROGRAM

Eight steps for constructing and executing an effective campaign.

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Cover illustration by Mark Moscarillo

Incentive covers all the ways companies motivate consumers to buy, salespeople to sell and employees to work more effectively, with a special emphasis on incentives, promotions and training.

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FROM THE EDITOR

THE FUTURE OF MARKETING

BY BRUCE BOLGER



The major problems recently reported with Citicorp's ambitious point-of-sale database system have cast a shadow on frequency marketing. Some people are predicting the concept's demise even before it has truly begun.

While I can't argue for or against Citicorp's particular approach to frequency marketing, I still see a strong future for the strategy of tracking individual customer purchases and rewarding good customers with extra value. Marketers' fundamental need to know their customers, and the growing power of computers to process and segment vast amounts of data, ensure that companies will continue to pursue the holy grail of marketing: targeting with pinpoint accuracy.

The marketer's dream of tracking every individual's purchases still faces serious obstacles, including lack of widespread technology, lack of system standardization, high cost, reticence of retailers to cooperate and public concerns about privacy. Many retailers feel their profit margins remain too narrow to justify a major investment in time and money to make such programs work, and many are even more reluctant to cooperate with competitors or suppliers. And growing numbers of Americans have become concerned about the amount of information freely available about their purchases and actions.

Despite these problems, the increasing need to improve marketing efficiency will continue to spur marketers to make frequency marketing work. Its purpose is not only to motivate customers to come back, but to find out just who is buying what. Such data will allow marketers to sharpen the focus of their advertising and marketing, even to the point of targeting what products are most likely to sell in a given store.

Frequency marketing also promises to reduce the amount of irrelevant direct mail people receive. With marketers better able to determine who buys what, a father of two young children would be more likely to receive direct mail on a diaper promotion than a trek in Nepal.

So to those who predict the demise of frequency marketing, I say: Don't count on it. But to those investing their life savings in it, I say: Don't bet on a quick return, either. It could take a decade more before frequency marketing achieves its full potential.

We're very proud to run a new booklet, "How to Run a Safety Incentive Program," right after featuring our very successful "How to Run an Incentive Program," published in May. We would especially like to thank John Donovan, manager of contract sales and marketing at Stanley Tools, without whose efforts this book would not have been possible.

Bruce Bolger

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FACTS SURVEY NON-SALES INCENTIVES

Spending is at a standstill, but companies divert more dollars to tangible rewards.

Blame the rising unemployment rates. Blame the economy. Both seem to have brought the growth of non-sales incentive awards to a virtual standstill this year.

The recession appears to have checked the expansion of what for several years was the fastest-growing area of incentive awards. Users' budget estimates in the latest **Incentive** survey indicate a mere 2.4 percent increase over 1990 actual spending, well below the inflation rate.

Only 29 percent of the executives surveyed say they're planning higher expenditures this year, and most of those increases are small; 6 percent are reducing their programs, and the remaining 65 percent are standing pat with last year's budgets.

The 141 companies that reported 1990 (actual) and 1991 (projected) budgets say they aren't discriminating against non-sales employees. In fact, their planned outlays for both sales-force and dealer incentives, while somewhat larger, are also sluggish, growing by just 2.8 percent and 4.8 percent respectively versus 1990's expenditures.

There's good news, though: For the first time, the survey shows that cash no longer reigns supreme as an incentive award. Respondents report spending an average of 32 percent of their award budgets on merchandise

Criteria For Awards

Individual Achievement	66%
Top Performers Only	43%
Department/Team Competition	30%
Supervisor Evaluation	25%
Improvement of Individual Record	25%

On average, companies use 1.9 evaluation standards.

incentives, compared to 30 percent on cash prizes. Travel draws 17 percent of their award dollars, with recognition awards (trophies and plaques chief among them) capturing 21 percent.

In addition, more firms are using merchandise awards than cash—75 percent versus 63 percent. The percentages do indicate, however, that many use both; in fact, with 47 percent now using travel and 70 percent bestowing recognition awards, the total reveals that companies use an average of 2.5 types of awards per program.

More merchandise users seem to be selecting specific items rather than relying on catalogues. Last year's survey showed 58 percent of merchandise users featuring specific items in their programs, rather than using catalogues. This year, the number has risen to 74 percent, with only 26 percent asking employees to pick awards from stock assortments.

Last year's survey showed a large increase in the use of merchandise, but cash still came out on top by a good margin. The current trend seems to confirm not only that more managers are recognizing the advantages of presenting tangible awards,

but also that those who spend for safety and length-of-service awards are taking advantage of the tax benefit conferred on merchandise users by the Tax Reform Act of 1986. That law provides that such awards

(with some dollar limits) are excludable from employee income as well as deductible by the company; cash awards, however, do not qualify for tax-free status. Industry members also hope that Congress will expand these provisions to include awards for other types of programs, such as productivity, quality improvement, suggestion and attendance.

Employee recognition programs, meanwhile, continue to move out of the realm of theory and more into corporate practice. "We're just beginning to use employee recognition and incentives for non-sales employees," says John Barry, vice president of sales at Dana Commercial Credit, Troy, Mich. "We first must overcome the built-in bias that management has historically had against incentives for inside servicing roles. The typical response has been, 'We pay them a salary to do the job.' Today we must recognize that the real delivery of product takes place when the inside market-support staffs interface with customers. We will be forming incentives for this level of services in 1991."

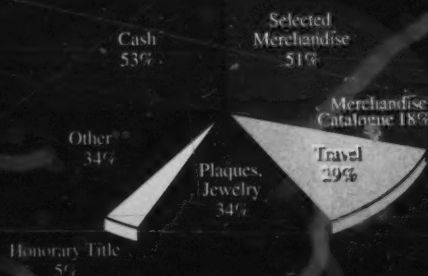
A Midwestern paper company's incentive plan is based on a similar premise. "Because our products sell

Employee Motivation Objectives

Office Productivity	57%
Plant Productivity	35%
Suggestions	34%
Quality Control	34%
Length of Service	31%
Safety	30%
Attendance	17%
Other	38%

Based on reports of 141 companies.
Average of 2.5 objectives per company.

Types of Employee Awards*



*Percentage of respondents who use each category. Total exceeds 100 percent because the average respondent uses more than two award types.

**Includes company dinners, entertainment, time off, shares of stock, etc.

themselves," says an executive, "and we rely on distributor salespeople, we have to offer incentives to our production employees to keep up with the sales volume. We have found merchandise incentives to be an effective way of increasing production." Both plant and office personnel participate in this company's plan, with 25 percent earning awards worth from \$100 to \$250 during four 13-week campaigns each year.

The cost of incentive awards ranges widely, from just a few dollars to several thousand. In this year's survey, the average unit cost is \$539 and the median \$100. Both are substantially higher than in last year's study, which yielded a \$345 average and \$50 median.

More expensive prizes tend to accompany longer programs, and respondents' campaigns now average 12 weeks, compared to 8 weeks a year ago. Though fewer people are eligible to win (an average of 60 percent of all employees have the chance to participate, compared with 76 percent in 1990's reports), more people are actually winning—47 percent of those eligible, versus 43 percent last year. This year's median is 40 percent, up from 30 percent last year.

Productivity tops the list of objectives in employee incentive programs, as shown in the chart on page 42. This year's survey group emphasizes

office productivity (57 percent) over plant productivity (35 percent), a major shift in the balance from last year's 47/42-percent split between the two.

For example, a suggestion program is spurring performance at an Eastern publishing company. The program offers awards to more than 200 people, of whom about half win. "Our incentive programs are geared to rewarding good performance in

all divisions and at all levels of our company," writes an executive. Incentives include tickets to shows, speed boats and Caribbean cruises. "Many of our most important ideas have come from our employee suggestion programs—and why shouldn't they?" the executive states. "Staff and line employees are closest to our customers. They know what our customers want and need, and we're in business to service their needs."

An industrial chemical manufacturer reports that about 60 percent of its 280 employees earn cash prizes and gift certificates in a team suggestion program. A formal suggestion program begun in April 1990 yielded an increase in suggestions to 310 from the 90 submitted in 1989, the company says. The program cost less than \$4,000.

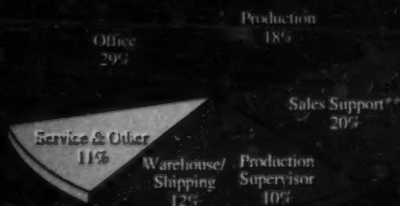
Three of 10 respondents emphasize safety in their employee motivation programs, and some report dramatic results: "489 consecutive days worked without a lost-time accident," declares a Midwestern machinery manufacturer. Another Midwestern manufacturer boasts of "six years and four months with no lost-time accidents...and 33 percent of employees with perfect attendance

Award Expenditures*



*Based on budget breakdowns of 141 survey respondents.

Types of Employees*



*Based on frequency of mention by respondents. On average, companies offer incentives to 2.5 employee types.

**Includes counter and telephone personnel, drivers, merchandisers.

for the year." The plant manager points out that 100 percent of his work force won awards in the program, which offers selected merchandise items, travel and cash prizes ranging in cost from \$10 to \$5,000.

David J. McFarland, manager of safety and worker's compensation for Consolidated Personnel Company, a Chesterfield, Mo., driver leasing firm,

targets truck-driver safety in one incentive program. The company's Driver of the Year won a trip to Hawaii and a gold ring last year, while divisional drivers of the month were offered jackets, watches, award pins, uniform patches and wallet cards.

The program objective: reduction of on-the-job injuries and vehicle accidents. "As an extra benefit, we also have seen the pride displayed by our

drivers after receiving their deserved recognition," McFarland says.

Individual achievement remains the most popular measure of performance used in non-sales incentive campaigns, favored by 66 percent of respondents. Top performers—and only top performers—are selected in 43 percent of respondents' programs, a situation providing fewer winners but stronger recognition value for them. Departmental or team performance is the program structure applied by 30 percent.

Promoting the program. How do companies promote these incentive programs? Employee meetings are the top choice, listed by 85 percent, up 10 percentage points from a year ago. Perhaps equally important is the increase in the supervisors' role in promotion: They are counted on by 54 percent to talk up the program, compared with 43 percent last year. Also, 54 percent use posters and bulletin boards for promotion, while 43 percent advertise their awards through employee publications and 19 percent by mailings to workers' homes.

Recognition remains a critical element of employee incentive campaigns. The main mode is meetings: 69 percent use company-wide meetings to announce and celebrate winners, and 46 percent stage departmental meetings. Other means of recognition include company publications, 42 percent; bulletin boards, 37 percent, and press releases, 11 percent. About 27 percent practice a "private presentation" of the award.

Finally, a number of companies find value in letting award winners be selected by their peers. "The most successful program," says a California manufacturer, "is one we implemented in 1990, where each person in the company votes for one person who has been the most helpful throughout the year. A shipping person won, and her whole department's attitude and outlook was much brighter: It was nice for them to see a department other than sales or manufacturing getting the recognition." □



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JULY 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



MARKETERS REVEAL THEIR SECRET WEAPON

BEYOND THE BOTTOM
SALES MEASURES WITH A TWIST

CAPITOL IMPROVEMENTS
HOW A GOVERNMENT AGENCY
TURNED ITSELF AROUND

BATTLING BOREDOM
INSURANCE CAMPAIGNS
THAT INSPIRE AGENTS

A BILL PUBLICATION

THE CORPORATE
CONNECTION
YOUR LINK TO
TOP SUPPLIERS

INCENTIVE



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Cover photo by Martin DeLeon
Shot taken at A&S Plaza, a 9-level mall in New York City

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

COVER STORY

MARKETERS' NEWEST SECRET WEAPON

In the never-ending battle for customers, marketers have discovered a simple strategy with powerful potential: targeting individual stores and consumers.

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A PHILADELPHIA STORY

TV news shows labeled it inefficient and backwards—but now this government agency is turning things around with Total Quality Management.

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INCENTIVE MARKETING

TARGETING TEENS

True, they're rebellious and recalcitrant. But with annual expenditures of nearly \$80 billion, young people represent a gold mine for marketers.

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WHEN THE PROMOTIONS KEEP COMING (AND COMING...)

The never-ending challenge faced by insurance firms: exciting agents with innovative incentive campaigns.

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BEYOND THE BOTTOM LINE

Sales managers are looking to reward quality-based behaviors, not just quotas, in their newest campaigns.

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THE CORPORATE CONNECTION

A 36-page catalogue linking incentive buyers with top suppliers.

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FROM THE EDITOR

THE CORPORATE CONNECTION

BY BRUCE BOLGER



Not long ago, we came to a realization: Very few people have ever heard of the incentive business.

Though our publication has helped educate tens of thousands of incentive customers over the years, a surprisingly large number of executives apparently still don't know how to run incentive programs, nor have they ever heard about the incentive industry.

So last year, we produced a "how-to" educational series designed to help managers and executives implement useful, meaningful and measurable incentive campaigns. Already this year we've published "How to Run an Incentive Program" and "How to Run a Safety Incentive," and more booklets covering other important facets of incentive planning are on the way.

With nearly every company in search of cost-effective ways to improve performance, it's no wonder we've already sold thousands of copies of "How to Run an Incentive Program" since its publication in May. As the guide explains, the premise of employee incentives remains simple: Involve employees in setting the goals, empower them to meet those goals and recognize them—meaningfully—for doing so. It's a strategy that requires management's commitment but only a few dollars up front, since incremental performance improvement funds much of the program's cost.

This year, a select group of leading consumer-products manufacturers are again sponsoring another broad-based educational effort, "The Corporate Connection." Distributed to more than 100,000 executives nationwide—well beyond the readership of **Incentive**—it's designed to educate executives about the benefits of incentive programs and the resources available to help them improve sales, profits and quality. It demonstrates the support (through attractive prices and special services) offered by many of the nation's top companies to help businesses improve their performance through the efforts of their people.

We've enclosed a copy of The Corporate Connection in our current issue—not for those of you who already know about the field, but for your friends and colleagues who don't.

We hope you'll pass it along to someone who can benefit from it.

Bruce Bolger

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FACTS SURVEY BUSINESS GIFTS

Another casualty of tough times: generous gift-giving.

Santa Claus might still come to town this year, but his sack will be considerably lighter. That's the picture drawn by several hundred business-gift givers in **Incentive's** annual survey of business-gift practices and spending plans.

If buyers hold true to their business-gift budget projections, they will spend about \$35 million more than they did in 1990, for a total of

nearly \$1.8 billion. Nevertheless, this figure represents an average rise of only 2 percent versus last year's actual outlays—clearly a retreat, when measured against the backdrop of last year's 6.1 percent inflation rate.

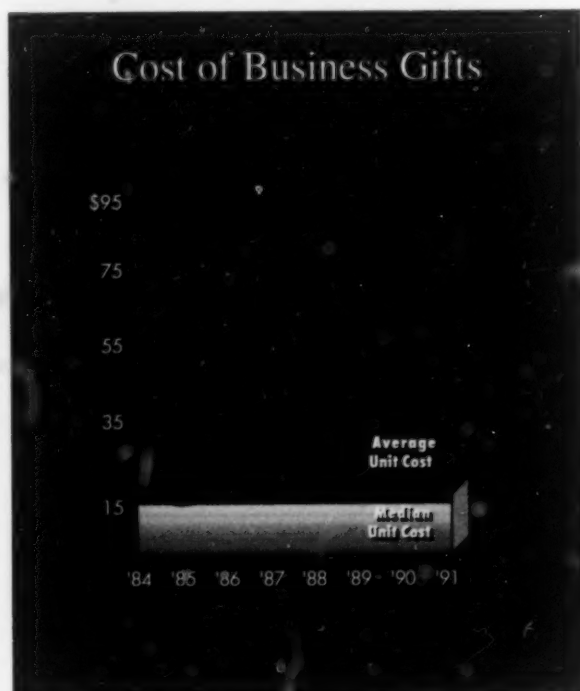
The 397 respondents aren't the first to say that times are tough. Respondents to the dealer **FACTS** survey, published in April, said they were already pulling back, estimat-

ing only a 4.8 percent rise in activity after the prior year's 7.6 percent increase. And in the June issue, users of non-sales employee incentives foresaw only a 2.4 percent expansion in buying this year. Only those using consumer premiums—perhaps hoping to prod consumers into a spate of spending—anticipated real growth: In the May survey, they predicted a 7.3 percent rise in expenditures.

One possible reason for the downturn in generosity: Compared to a strong promotion that might beef up product sales, a gift program may appear expendable. As one West Coast user pointed out, "We've been giving gifts for approximately 10 years. We believe in it strongly. Sadly, uncertain economic times have forced us to cut back." This user will spend \$12,000 on business gifts this year, \$6,000 less than in 1990; rather than buying fewer gifts, he will spend less this year on each of the 600 gifts he buys.

Another budget-cutter this year is Nancy Burkhart, promotion coordinator of Autotype USA, Schaumburg, Ill. She says, "We've been giving business gifts for around eight years. We have definitely gotten more careful about the cost per unit and who gets them. When times are rough, it's the first thing to get cut."

About 32 percent of executives said they'd already cut their gift expenditures within the past two years. In 29 percent of cases, they reduced the number of gift recipi-



ents, and 16 percent cut back on the prices paid for gifts; the remaining 55 percent did both. Only 12 percent of the sample expect to reverse the cuts this year.

The median number of gifts bought by each user is 125, the same as two years ago but up from 107 last year. In addition, some buyers claim an increase in spending per gift. About 21 percent say they will spend more for each gift than last year, compared with 25 percent who gave the same response in 1990. About 67 percent are holding at the same unit-price level, while 12 percent are looking for lower price tags.

Overall, the average unit price is \$81, up substantially from last year's \$57, but below the \$88 survey average in 1989. The median has remained at \$20 for four years, comfortably below the IRS-decreed limit of \$25 for a tax deduction. However, as the average shows, many users forgo part of the tax deduction in the interest of more valuable gifts.

For example, one Oklahoma wholesaler who has been giving gifts for about 15 years is now using "more frequent and more expensive" gifts. Although most of the 200 gifts he buys cost around \$10, he now spends as much as \$200 for some items.

Adds the director of marketing at a Midwest feed firm, gifts "must be more expensive than five years ago and of good quality. Trinkets are out." Some of his 250 gifts each year come in under the \$25 deductible

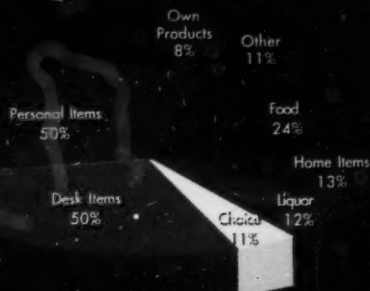
Top 10 Business Gift Users (1990)

Auto Parts, Tires, Accessories	\$112,167
Toiletries & Cosmetics	\$88,505
Automobiles & Trucks	\$79,140
Insurance	\$72,846
Building Materials	\$60,795
Bank, Savings & Loan	\$55,215
Electric Appliances	\$54,977
Food Products	\$49,148
Electronics, Radio, TV	\$47,354
Publishers	\$40,304



ALL FIGURES IN THOUSANDS

Types of Gifts



% of Respondents - Exceeds 100% Because of Multiple Responses

1. Who does the buying?

Top management.....	62%
Sales/marketing management.....	27
Advertising/promotion management.....	7
Product/merchandising management.....	4

2. Where are gifts given?

Recipient's place of business.....	76%
Donor's place of business.....	27
Recipient's home.....	23

3. Sources of gifts

Direct from manufacturer.....	44%
Wholesaler or distributor.....	30
Incentive rep.....	30
Ad specialty counselor.....	30
Mail-order firm.....	17
Retail store.....	17
Incentive firm, jobber, stamp company.....	17

4. When are gifts bought?

January.....	13%
February.....	10
March.....	13
April.....	8
May.....	9
June.....	15
July.....	15
August.....	11
September.....	30
October.....	37
November.....	28
December.....	28

5. How are gifts delivered?

Salesperson.....	60%
Executive.....	40
Parcel service.....	34
Mail.....	27
Messenger.....	9

level, but others have price tags ranging from \$40 to as much as \$100. And an oil-company executive says, "we quit buying or giving junk and went to one or two very high-quality items." His gifts to 60 key customers range in cost from \$35 to \$70.

"We no longer use massive quantities [of gifts] at trade shows for people to grab," says one manufacturer. "We now buy better items but a lot fewer, and we give them selectively."

Gift-giving seasons. Three-fourths of all users in the survey present some of their gifts at Christmas and Chanukah time. An important second occasion: trade shows or conventions, where 42 percent give gifts. Additional occasions are company anniversaries (12 percent), other holidays (4 percent), birthdays (2 percent) and a large "other" category, selected by 33 percent.

Customization of gifts remains popular. In a minority of cases (28 percent) the gift is personalized with the recipient's name or initials. Sixty-nine percent of the time, a company logo or advertising imprint is used. Many users describe the key objective of imprinting as "keeping

Top business gifts

(percentage of respondents selecting each item)

Pens/pencils.....	22
Food gifts.....	20
Apparel.....	15
Clocks/watches.....	15
Desk sets/accessories.....	13
Calendars/diaries.....	10
Coffee mugs.....	9
Liquor/wine.....	8
Golf items.....	7
Home/decorative items.....	7
Radio/TV/VCR.....	7
Personal items.....	7
Caps/hats.....	5
Attaché cases/portfolios.....	5
Electronic items.....	5
Gift certificates.....	5
Glassware/crystal.....	5
Calculators.....	4
Housewares.....	4
Plaques/trophies.....	4
Books/subscriptions.....	3
Jewelry.....	3
Knives.....	3
Luggage.....	3
Trips.....	3
Artwork/prints.....	2
Flashlights.....	2
Flowers/plants.....	2
Sporting goods.....	2
Tools.....	2

the company's name before the customer," thus imparting much of the flavor of an advertising specialty. It's no accident that 30 percent of respondents say they buy their gifts from advertising-specialty counselors.

How long have companies been using business gifts? In this survey, executives claim handing them out for anywhere from 1 to 198 years (according to one railroad firm).

One of the older users is the product of a society where gift usage is probably more highly developed than in the U.S. "Our company," says an executive at an East Coast manufacturing firm, "has been in business for 102 years and has always given gifts. As a Japanese company, we give many types of gifts—it's a very polite Asian custom."

Federal-Mogul Corporation, Detroit, acknowledges a debt to that custom. Barry Murphy, investor-relations director of the automotive-equipment firm, says it has given gifts for 15 years. Today the items are "generally higher-priced, more useful items—fewer 'cheap' trinkets—and a wider selection to accommodate varying international tastes and customs. More gifts are

given on more occasions; and Japanese gift-giving customs influenced this decision."

Another response to international influences came from Patricia Knese, marketing coordinator for Bondhus Corporation, a Monticello, N.Y., hand-tool manufacturer: "When giving gifts to our international importers, we used to only give products that were made in the U.S.A. But we've since ordered products that were made elsewhere."

Citing another kind of change in gift-giving habits, a vice president of a New England chemical company notes, "We have been giving business gifts for many years, and the main difference has been the shift from alcohol gifts to something less controversial." This company now offers gift recipients their choice from a merchandise



Most gift-givers present their items at Christmas and Chanukah time.

catalogue.

A greater business orientation has been sought by a Midwestern machine-tool firm. After more than 20 years of giving personal gifts such as liquor, candy, fruit and other foods, the company now distributes desk planners to 150 major customers.

Respondents also claim that more employees, as opposed to just customers, are unwrapping business gifts.

For example, an executive at an Illinois service firm says the company has been

"giving gifts for over 20 years, but the practice has an increased emphasis on gifts to employees, with the realization that catering to and satisfying these personnel is equally as important as satisfying its external customers." □

A GUILT-EDGED PRACTICE?

FACTS survey respondents give out a median of 125 gifts a year, but they're also on the receiving end—they get an average of five items per annum. While in some cases their companies have policies against accepting gifts, these executives generally don't feel too threatened by the few items they get: Only 11 percent believe the gifts they received have ever been intended to "bribe" or influence them improperly, and only 7 percent think their own gift-giving ways may have exerted undue influence on recipients.

Despite these relatively low levels of ethical concern among those who both send and open gifts, corporate edginess about the practice persists. Respondents say they find anti-gift policies—prohibition of acceptance—in 29 percent of cases among their potential gift recipients. And 36 percent of these executives believe the anti-gift movement is increasing.

Many executives hold definite perceptions about potential impropriety. Says a Western wholesaler: "To avoid the issue of improper influence our gifts must meet several criteria: 1) have nominal value (\$5 to \$10), 2) be consumable within 24 hours, 3) be 'sharable' and 4) be a specialty advertising item with the company logo."

"Times have changed," notes Bryan C. Shirley, president and chief executive officer of Colrud Corporation

in Chantilly, Va., "and the perceptions of buyers have caused more skepticism and reluctance to accept gifts. Even going out to lunch is sometimes incorp[orated]ly viewed."

"Many companies have policies against gifts," remarks Michael Roeth, sales manager of McCord Corporation, a Walled Lake, Mich., auto-parts firm. "We focus on discreet business-oriented gifts that can be used on the job: flashlights for quality inspectors, pens for executives, cardholders for engineers. We also have reduced the size of our logo and placed it in more discreet areas on the gift."

Food gifts help solve the problem for Donald Bercaw, general manager of Hobart Bros. Company, Troy, Mich. "Fruits, nuts and plants for special occasions seem to be most popular with our business associates, and they're less likely to be considered an attempt to influence a relationship—not too different from a business lunch or dinner, yet much less costly."

Paul Eilenberg, president of Meridian Trading Ltd., a Great Neck, N.Y.-based apparel company, offers this strategy: "We have always given Christmas gifts to our customers and to various vendors who work closely with us during the year. We often send a gift to a buyer or merchandise manager of a firm along with a gift to one of that company's principal officers. We want gift-giving out in the open to keep our motives pure!"

SECTION TWO
HOW TO PROFIT FROM
MERCHANDISE INCENTIVES

INCENTIVE

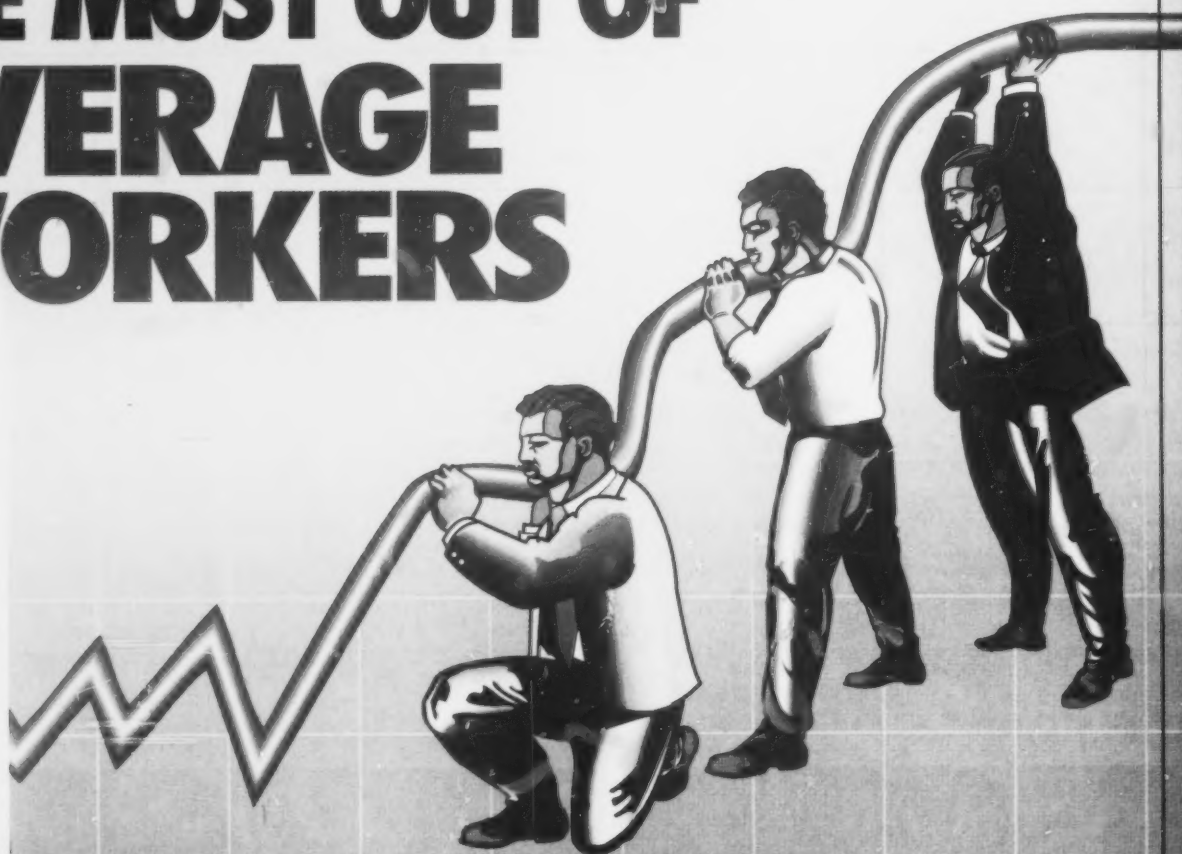
MANAGING AND MARKETING THROUGH MOTIVATION

SEPTEMBER 1991
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OF TWO SECTIONS

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**WHY AIR-MILEAGE PROGRAMS
ARE MISSING THE MARK**

MOTIVATIONAL SPEECHES

10 WAYS TO IMPROVE YOURS

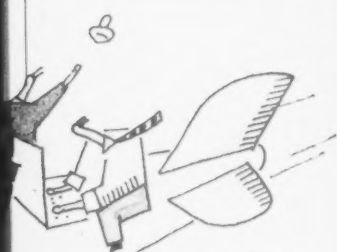
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**A SALES INCENTIVE FOR
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SECTION TWO

HOW TO PROFIT FROM MERCHANDISE INCENTIVES

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FACTS: SALES INCENTIVES

Although award spending for 1991 has slackened, executives maintain their strong faith in the power of sales campaigns.

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10 KEYS TO A SUCCESSFUL MOTIVATIONAL SPEECH

Every manager makes speeches—in one form or another—almost every day. Here's how to make yours more effective.

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A telephone company's latest incentive program aims to connect everyone, not just salespeople, to the selling process.

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Cover computer illustration by Michele Cormier

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

AN INTEGRATED APPROACH

BY BRUCE BOLGER



I recently sat in on a meeting that revealed much about how today's leading-edge advertising agencies serve their clients.

One of the world's largest consumer-products manufacturers asked me to help with a presentation about its marketing needs to its new ad agency. I expected to hear the agency personnel (an account executive and someone from the direct-marketing division) ask the same old questions about the firm's target audience. Instead, I heard questions and suggestions that speak quite well for the potential of integrated marketing—something I have written so much about in this column.

The agency executives asked far more than the basic questions. They wanted to know more about the sales force's relationships with customers: How often did they call on customers? Did they make cold calls? What did they do with the names of potential customers who didn't buy the first time? Where do they get their leads? How did they pre-qualify their leads? How does the company measure salespeople's performance?

The result of this meeting: A realization that one of the world's most successful and innovative consumer marketers has not maximized its customer database potential. While the company has a firm handle on its largest customers, it doesn't have a system to track all of its sales prospects. Due to the company's huge ad budget and prominent name recognition, the salespeople receive hundreds of leads—most of them unqualified, and some good ones that could fall through the cracks.

The agency's direct-marketing expert suggested that the company could significantly benefit by improving its customer database, and by ensuring that even prospects who don't buy today are earmarked for future efforts. She suggested that the company could benefit from a greater effort to pre-qualify leads before they get to the salespeople, which would eliminate time spent following up on worthless inquiries. Another guest at the meeting suggested that lead follow-up could become the basis of an incentive program for the company's sales force.

Surprised by this emphasis on non-advertising issues, I asked the direct marketer whether the integrated approach to advertising was new to this agency. "I've read a lot about other agencies going to this now," she said, "but we've been doing it this way for years. In fact, as a direct-marketing manager, I am in the same division as the account people, whereas at most agencies, I would be in a separate division. That makes the communication work a lot better."

I don't know whether this agency's services will fulfill the promises demonstrated at that meeting, but it leaves me convinced that companies that aren't getting this sort of assistance from their agencies should take a fresh look at their needs.

Bruce Bolger

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FACTS SURVEY SALES INCENTIVES

While their spending estimates are conservative, executives reveal an unwavering confidence in sales programs.

Less is more. That seems to be the message sent by the 242 executives polled in this year's sales incentive survey. Predicting a 10-year statistical low on the return of incentive-campaign investment—and, operating against the backdrop of recession—these users expect to spend less to do a lot more—mainly, to harvest new business and maintain market share.

After more than a decade of healthy sales increases averaging between 18 and 21 percent, mar-

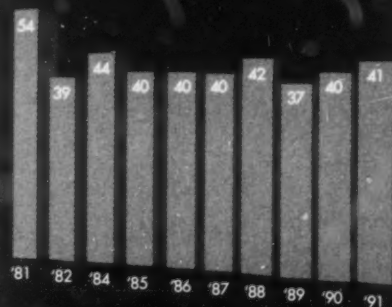
keters in **Incentive's** latest survey reported an average expected sales gain of only 16.2 percent from their 1991 incentive programs—though their goal was 18.8 percent. In 1990, users registered an average 17.2 percent rise in sales increases, lower than their expected 18.4 percent rise.

Planned expenditures for '91 sales incentives rose only about 3.5 percent over the amount the companies spent last year. About 12 percent of the survey group said they have reduced their budgets this year while 33

percent in expenditures for sales-force motivation. Paper products and packaging added a whopping 21.4 percent to the estimate, while auto makers, banks, hardware and chemical firms each expanded their incentive spending by 14 to 16 percent. Electrical and lighting companies and furniture manufacturers increased their spending by 12.2 and 10.9 percent, respectively. The large category of wholesalers and distributors invested an extra 18.2 percent to spur salespeople last year.

Qualifying Rate

Percentage of Sales Force Earning Awards



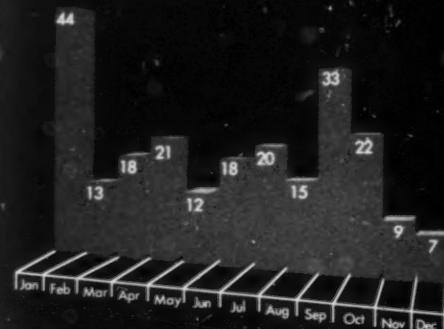
1983 Data Not Available

percent indicated they are increasing their spending. Shrinking markets seem to be the dominant factor determining sluggish performance projections.

Still, incentives appear to be doing what they should do best in recessionary times—maintaining a company's market share. Sales-incentive figures remained strong heading into '91: Companies spent an estimated \$5.65 billion in '90, an 8.1 percent increase over the previous year. And while some industries kept their incentive-spending levels fairly even with prior-year outlays, seven industries registered gains of more than 10

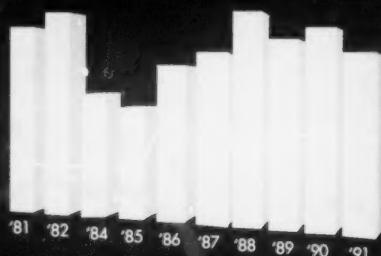
Sales Incentive Calendar

Percentage of Respondents Launching Campaigns Each Month



Average Cost

Percentage of Incremental Sales



1983 Data Not Available

Bang for the buck. Incentive buyers seem to feel they'll still get their money's worth from this year's incentive campaigns. The major measure of an incentive campaign's success remains "percent of incremental sales"—how much of the extra sales yield had to be spent to achieve it. This year's average reveals good news: Program costs represent 12 percent of incremental sales, compared with 14 percent a year ago. This is the best reading in the survey since 1987, with the three intervening years showing cost levels of 15 (1988), 13 (1989) and 14 percent (1990). The median incremental-sales percentage remains at 10 percent for the sixth straight year, indicating that the typical respondent has been using a very stable motivational tool.

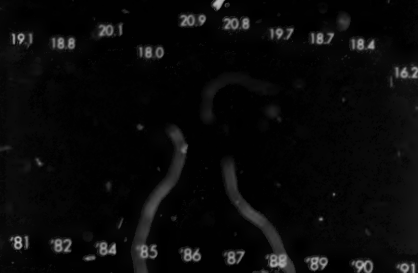
Many executives also indicate that they're combating the sluggish economy by redirecting their efforts toward uncovering new business for their full lines of products. This is evidenced by a big change in stated program objectives. The objectives shown in the chart on page 64 are the most common ones, with "overall sales-volume gains" cited by most respondents as the top goal. Introducing new products, the previous number-two objective, drops

to third with a 41 percent vote, and the objective "sell new accounts" has moved from third into second place, now favored by 53 percent of respondents, against 44 percent last year. This underscores the emphasis on cultivating new business in a tough marketplace, and it's accompanied by another shift in this survey: A majority of 54 percent say they apply their incentive programs to a full line of products; only 40 percent gave that answer in the previous study. "Selected items" declined from 48 to 41

percent. A remaining choice, "promoting a single product," dropped from 12 percent last year to 6 percent this year. Few users settle for single objectives; the average in this survey is more than three

Sales Results

Percentage of Average Increase



1983 Data Not Available

choices per executive.

Lower costs. Costs, expressed as expected expenditures for merchandise and travel awards, fell slightly below last year's levels. Restraint in spending seems more pronounced in travel programs, with only a 2.2 percent increase in reported budgets for these high-profile awards. The same respondents report spending 5.6 percent more for merchandise incentives. In last year's final survey estimates, merchandise also ran somewhat ahead, up 8.6 percent, compared with a 6.7 percent rise in all users' travel spending. The slow budget growth partly reflects a reduction in the average cost of incentives. Aided a bit by moderating inflation—and probably by ingenuity in program planning as well—the unit costs of both merchandise and travel awards have declined from the figures posted a year ago.

Users in this survey spend an average of \$298 for each merchandise award, compared with \$369 reported in '90; the median for both years is \$100, however. For travel, the average per winner (with or without a spouse) is now \$2,420, down a bit from \$2,458 last year; the median is \$2,000. Strictly on a per-person basis, the trip cost now averages \$1,534,

Types of awards

Single premium or group of related items	48%
Individual travel award	41%
Group travel award	41%
Merchandise selection from incentive house	23%
Own catalogue	18%

Merchandise suppliers

Wholesaler or premium jobber	41%
Direct from manufacturer	39%
Full-service incentive house	27%
Manufacturer's representative	18%

Travel suppliers

Travel agent	53%
Full-service incentive house	24%
Travel/tour wholesaler	22%
Travel carrier or hotel	18%

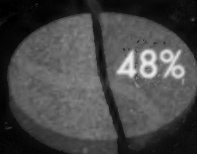
Final buying decision

President, CEO, executive vice president, general manager	56%
Director of sales or marketing	36%
Director of advertising or sales promotion	4%
Product manager or merchandising manager	4%

Top Sales Incentive Users (1991)

Insurance	\$523,324
Tailorries & Cosmetics	\$402,630
Auto Parts, Tires, Accessories	\$362,612
Automobiles & Trucks	\$277,948
Food Products	\$269,563
Electronics, Radio, TV	\$265,413
Building Materials	\$199,452
Office Equipment	\$146,765
Publishers	\$136,840
Machinery	\$121,311

Percentage of Field
Represented by Top 10



ALL FIGURES IN THOUSANDS

compared with \$1,622 in '90; the median is \$1,250 per person, up \$50 from last year.

Promotional dollars continue to consume a good part of the incentive budget, with users spending an average of 19 percent of their program funds on printing, mailing and other promotional elements of the campaign. The remaining 81 percent of dollars are spent on the awards themselves.

Sales-force qualification levels, meanwhile, have edged upward. Overall, 41 percent of salespeople qualified in the average program, one percentage point ahead of '90 survey results. The average qualification rate in merchandise-oriented programs was 51 percent; for travel campaigns, 34 percent.

Most sales incentive users—69 percent in this survey—include company-employed salespeople in their award programs. But other groups also account for a greater share of the activity. Manufacturers' representatives are targeted by 27 percent, wholesaler or jobber personnel by 23 percent, and retailer personnel by 20 percent. Direct sellers and others account for almost 10 percent. On a frequency basis, the employee salespeople get 46 percent of the attention, and the outside groups account for 54 percent. Thus, the majority of people targeted in sales incentive campaigns aren't a captive employee group, as

is sometimes supposed; most of them are outsiders who have to be sold.

The majority of sales executives run one, two or three incentive campaigns a year for salespeople, depending on the type of award, duration of each program and, of course, the objectives. Those favoring merchandise programs have increased the frequency somewhat this year to a median of three programs, compared with just two in last year's survey. Travel users, who usually stage longer campaigns, show a median of one campaign a year.

Executives who feature an award mix of both travel and merchandise run a median of two campaigns a year.

Program length varies greatly—from one week to one year or more. On average, this year's respondents are running slightly shorter merchandise promotions—13 weeks instead of the 15 reported last year. Travel programs, however, have grown a bit longer, now lasting an average of 29 weeks, compared with last year's 27.

Program-planning time—the period extending from the initial decision to offer an incentive to the announcement of the complete promotional plan—takes an average of 17 weeks for merchandise users and 31 weeks for travel users, according to survey results.

The award mix. As in many other types of incentive campaigns and promotions, sales programs feature three types of tangible prizes: merchandise, travel and cash. Cash still has a strong share of proponents, especially in the sales realm. One might wonder if recessionary times increase the temptation to offer cold cash as a motivator, but the answer suggested by this survey is "no." As in '90, the questionnaire asked: "In otherwise identical campaigns—and assuming that the sales force is

Sales Incentive Objectives

Increase overall volume	66%
Sell new accounts	53%
Introduce new product	41%
Improve morale & good will	36%
Move full line or slow items	31%
Bolster slow season	30%
Offset competition	21%
Support consumer promo	18%
Build dealer traffic	14%
Prepare for strong season	12%

Percentage of Respondents
Reporting Each Objective

adequately compensated—which type of award do you find yields the best results in motivation?” In last year’s survey, 31 percent voted for cash; this year only 24 percent opted for greenbacks. Merchandise is favored by 27 percent, and travel—the big gainer at 49 percent—soared

something that the mind stores away, to be remembered forever. Cash is spent quickly and who knows what for.”

Users of merchandise, meanwhile, trumpet that award category’s merits. Larry Smith, sales manager of Star Finishing Products Inc., Hinsdale, Ill.,

After a decade of healthy sales increases averaging between 18 and 21 percent, marketers expect a gain of only 16.2 percent from 1991 incentive programs.

from 36 percent in the '90 survey.

Still, the battle rages on about which award best motivates salespeople. “Money talks,” “cash is still king” and “cash buys the things people want in life”—these are among the comments written by respondents favoring a purely green payoff in their incentive programs. “We have found,” says David J. Gasmovic, national sales manager of McLaughlin Manufacturing Company, Greenville, S.C., “that too many trips are taken by our dealer principals, and very little reaches down to the salesmen. With cash, the salesman benefits immediately.”

Cash is “the simplest award. It has value for everyone,” claims an electronics executive. “There are no worries about people not liking travel, not liking red meat, etc.” Another executive adds, “Because of the inflationary rate, our salespeople would rather have cash for their everyday needs, rather than receive merchandise.”

Among the champions of travel awards, none are more enthusiastic than insurance executives. “Our people enjoy the travel we’ve offered in the past [Hawaii, London, cruises],” says one insurance executive. “They take special pride in being able to travel all over the globe at the company’s expense, often bragging to their neighbors and friends that they got this trip because they did the job expected.”

Rick Gray, sales manager of Harry G. Barr Company, a Ft. Smith, Ark., wholesaler, insists that travel “is

points to “the fact that the wife and other members of the family get behind the promotion in order to keep the participant going. They help keep the momentum going throughout the promotional event.”

The predominant feeling expressed in survey comments? Travel and merchandise awards, when mixed effectively, can accommodate a wide range of sales palates. A telecommunications executive who uses both types of awards explains: “I still like travel for my high-end performers, but merchandise trickles down to more employees. Employees earn points based on various criteria and redeem points through a catalogue. They’re able to select their own awards. Most employees (90 percent) earn enough points to get something, compared to the few (3 percent) who earn travel awards.”

comes from David Quirsfeld of Commerce Clearing House, Riverwoods, Ill., who votes for “recognition” regardless of the tangible awards used. “It has been our experience that our top sales representatives respond best when there are opportunities to be recognized—among their peers, among management—for a superior effort. The rewards, whether merchandise, travel or cash, can be of a rather insignificant nature and still produce astounding results as long as the reps know they will be recognized publicly for the effort.”

Winning ways. Recognition and awards, in whatever form, begin when the salesperson reaches 93 percent of quota, according to the average of figures offered in this survey. The maximum award level, meanwhile, is usually reached at 117 percent of the assigned quota. Quotas are based on year-ago sales performance by 53 percent of these companies, while 38 percent relate them to a preset sales forecast; only 9 percent tie quotas to an immediate previous period’s sales volume.

How do sales executives judge a program’s success? In most cases—66 percent—the major criterion is total units or dollars sold. The second choice is the percentage of participants who reach their goals—favored by 47 percent. Some 28 percent of sales executives base program evaluation on the profit on incremental sales, while 20 percent look at the

The objective “sell new accounts” has moved into second place, underscoring the emphasis on cultivating new business in a tough marketplace.

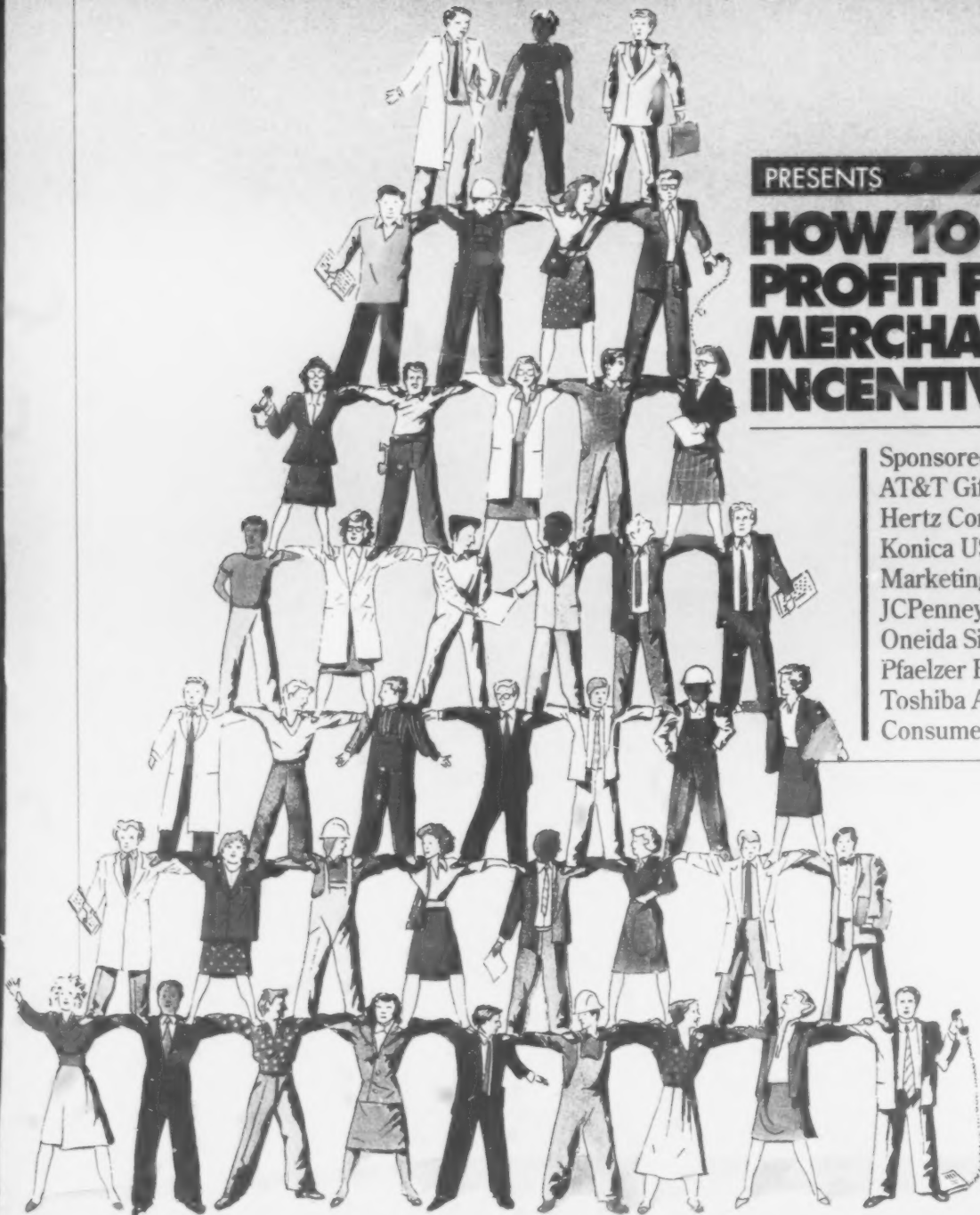
A Midwestern food marketer also plays it both ways: “We experience an excellent response from both types of awards. The fine performers will opt for the travel, while those who achieve quota are happy with merchandise.”

In the end, perhaps the best advice

increase in market share and 13 percent examine branch or district performance. The percentages add up to well over 100 percent, indicating clearly that sales incentive users have almost as many ways to figure the bottom line as they do methods for reaching it.

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



PRESENTS

HOW TO PROFIT FROM MERCHANDISE INCENTIVES

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HOW TO PROFIT FROM MERCHANDISE INCENTIVES

Intro

**WHY MERCHANDISE
MOTIVATES**

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**DO'S AND DON'TS IN
MERCHANDISE CAMPAIGNS**

HOW TO RUN A SOLID PROGRAM

PAGE 34

Why Merch

The beauty of merchandise lies in its flexibility. Firms in industries as diverse as auto parts, food products, publishing, toiletries, cosmetics and insurance use it regularly—and with great success. In today's tough economy—where productivity, quality and return on investment are so vital—merchandise is winning over non-traditional users as well: computer and telecommunications companies, for instance, as well as many small businesses that can profit from incentive campaigns.

What all of these firms are finding is that merchandise meets all sorts of business needs—and budgets. In addition, award options are varied enough to please even the most discriminating clients or employees.

Best of all, a well-planned merchandise campaign has long-term impact. It not only helps a company achieve immediate goals, but it leaves the target audience with something tangible to appreciate long after a program ends. Merchandise is a permanent "trophy" of achievement and a lasting reminder of recognition.

Below, we have listed some of the key audiences who will benefit from merchandise incentives, along with a few examples of how companies can combine merchandise with business goals. (The accompanying case histories have won awards in contests sponsored by the Incentive Manufacturers Representatives Association, the Promotion Marketing Association of America, and the Specialty Advertising Association International.)

SALESPeOPLE

Maintaining a high level of sales requires more than just good products, comfortable working conditions, a strong sales force and a sound compensation system. It calls for constant stimulation. Companies must continually find ways to ensure that the people who sell their products or services are always on their toes, reaching for higher levels of achievement. Merchandise can help them do that by spurring—and recognizing—superior performance.

Most salespeople love a challenge. (It's their competitive spirit that got them into sales careers in the first place.) But they also have egos that need stroking. A merchandise incentive gives them both a thrilling chase and a tangible reward. What's more, winners gain extra pride in their accomplishments, as well as something special to share with or show off to family and friends.

In general, any objective of a sales incentive can be served effectively by merchandise awards. The key is to design fair and attainable goals, develop a program theme that captures the salespeople's imagination and choose merchandise prizes that speak to participants' demographics and lifestyles.

■ When Beneficial Management Corporation of America celebrated its 75th anniversary, the company wanted to produce a sizable increase in sales. To gain an extra edge, Beneficial Management decided to stimulate three levels of employees—branch asso-

CHAPTER

1

HOW TO TARGET THE BEST AUDIENCE FOR YOUR CAMPAIGN

ciates, branch managers and district/regional supervisors—with a merchandise incentive. (Employees who met their goals won their choice of top-end merchandise from an attractive catalogue.)

To further encourage people to commit to the program, the company promised to enter all participants into a drawing for merchandise prizes. The bait worked: A full 98 percent of the target audience

signed up for "The Celebration Continues" campaign, and Beneficial Management's insurance sales jumped 31 percent over a 12-month period.

■ Northern Telecom commissioned an original limited-edition sculpture by the Kirk Stieff Company to recognize the exceptional achievement of its Honor Circle winners. Since the program theme was "The Power Within," the sculptures were designed to represent the "inner fire" within each person. Pins, award certificates and travel prizes, as well as a theme video, a program brochure, posters and promotional mailings complemented the merchandise campaign.

Of the 12,000 people eligible to participate in the program, 534 — 34 percent more than expected—achieved their sales goals. Northern Telecom, in turn, outdid its previous year's performance with a 13.4 percent boost in sales and a 3 percent increase in market share.

NON-SALES EMPLOYEES

This relatively new category in the incentive arena is gaining more

Merchandise Works

attention as the nation's quest for quality and productivity grows. Recent successful employee campaigns have focused on improving customer service, but there are plenty of other areas where merchandise incentives can prove effective:

- Recognition and service programs, which reward employees for extended employment or unique contributions to a company

- Suggestion campaigns, which encourage employee-generated recommendations that improve productivity and quality or save money

- Gain-sharing programs, which promote teamwork in solving productivity problems or cutting costs

- Safety incentives, which rec-

ognize employees for accident-free periods

- Quality campaigns, which reward individuals or teams for achieving high-quality standards in manufacturing or service.

Bottom-line gains in any of these areas are often difficult to measure. With sales incentives, you simply count the numbers, such as the dollars earned, units sold or profits gained; with non-sales incentives, you must assign a dollar value to work that is often non-repetitive and multi-faceted, and you rarely have a clear base line of performance. This makes it more difficult to justify your expenditures at the end of the program. For this reason, merchandise awards for non-

sales incentives tend to be somewhat more modest than those used in sales campaigns. However, if selected carefully and bolstered by creative promotion and lavish recognition, even moderately priced merchandise can motivate a group of employees.

- Bell South Advertising & Publishing Co. needed to encourage a team effort in the delivery of yellow-page directories to the Southeast states and, at the same time, boost employee morale. It decided to target 50 key supervisors through a program dubbed "BAPCO's Hit Parade of Awards." As part of the kick-off, participants were given acrylic mugs inscribed with a juke box (the program logo)



**MERCHANDISE
IS A PERMANENT
"TROPHY" OF
ACHIEVEMENT
AND A LASTING
REMINDER OF
RECOGNITION.**

and the company's logo and slogan: "The Real Yellow Pages." To give everyone easy and permanent access to performance requirements, the rules were imprinted on the inside flap of a desk notepad.

Four levels of achievement—Big Bopper, Fats Domino, Chubby Checker and Little Richard—were determined and assigned points. Each month, managers would assess employee performance and award points accordingly. When sufficient units were accumulated, employees redeemed them for prizes in a gift catalogue. The "Solid Gold" employee-of-the-month won bonus points, as well as a juke box stereo cassette player with flashing lights. According to a company spokesperson, the program created a sense of excitement, encouraged teamwork and boosted employee morale.

■ In an effort to reinforce employee loyalty and enhance customer service, Orkin Pest Control targeted a "Reach Out...There to Care" campaign at 5,000 employees. The program was launched during special themed coffee breaks on payday in 348 Orkin branches. As employees sipped coffee from imprinted mugs—in rooms decorated with posters, heart-shaped balloons and partyware inscribed with the "We Care" theme—they watched a video that explained the program's goals and design. During the kick-off, custom lapel pins were distributed to all employees. When a manager noticed a worker wearing a pin, he would immediately reward the employee with a pen or ruler. Other merchandise awards included: imprinted portfolios, for branch managers who filled out a survey during the kick-off; theme-imprinted note holders with tips on phone courtesy, for office and sales personnel; and inscribed paper-clip caddies and golf-vehicle visor clips, for all employees. At the end of the program, each branch manager received a letter opener and a note of thanks for helping out with the promotion.

Over the course of the campaign, unsolicited customer complaints decreased by 21 percent and the number of canceling customers plummeted 11 percent. The result:

an additional \$1.2 million in revenue for the firm.

DEALERS

Unlike internal salespeople, dealers, distributors, retailers and service contractors aren't completely focused on your company and your goods or services. You must vie for their attention along with all the other companies whose products or services they sell.

Designed effectively, a merchandise incentive can steal the spotlight for your firm. The campaign can help you:

- induce retailers to stock new products in your line
- increase sales volume in preparation for a seasonal push
- strengthen distribution in a weak market
- even out a seasonal slump
- encourage dealer tie-ins with

TAXES AND MERCHANDISE AWARDS

What are the tax laws regarding the use of merchandise incentive campaigns?

In general, the company staging the program can deduct the cost of a merchandise award if the following circumstances apply:

■ The merchandise award is a "qualified plan" award and does not exceed \$1,600 when added to the cost of all other achievement awards earned by the employee during the taxable year, including qualified and non-qualified plan awards. (Qualified plan awards are those that are given as part of an established written program [such as an incentive campaign], are approved by the Internal Revenue Service, and don't discriminate in favor of highly compensated employees in terms of eligibility or benefits. Qualified plan achievement awards made by an employer during a year may not have an average cost exceeding \$400; otherwise, none will be considered qualified plan awards.)

■ The merchandise award is not a qualified plan award and does not exceed \$400 when added to the cost of all other achievement awards (which aren't qualified plan awards) earned by the employee during the taxable year.

■ If the value of the award exceeds the \$400 or \$1,600 limitation, the company will be taxed on the excess amount—rather than the full amount—of the award. The total amount that can be deducted for awards (qualified or non-qualified) made to any employee in one year is \$1,600.

In general, the gross income of an employee includes all amounts received as prizes and awards (including cash!). However, there is an exception for employee achievement awards, which include those that are earned for length of service or safety achievement. Under these rules, employees are not taxed on merchandise awards if the cost to the employer does not exceed the amount deductible by the employer.

If the cost to the employer exceeds the deductible amount, the gross income to the employee will be the greater of:

■ An amount equal to the portion of the cost of the award (to the employer) that is not allowable as a deduction to the employer (but that is not in excess of the value of the award), or

■ The amount by which the value of the award exceeds the amount allowable as a deduction to the employer.

For example, if employer A receives an award worth \$400, which is fully deductible by the employer, he would not be taxed on the amount of the award. If employer B receives an award worth \$600, which cost the employer \$500—and \$400 of which was deductible by the employer—he would declare \$200 in income.

a consumer promotion

obtain additional display space

educate the dealer about your products

offset competitive promotions
build brand loyalty.

To accomplish these and other goals in a dealer program, you can run a one-shot, short-term promotion using merchandise to reward the purchase of a special assortment of products, a specified dollar volume of purchases or the use of a new display. Or, you can offer a choice of merchandise from a catalogue in return for coupons or

dealer will be able to unload profitably. Examples of well-aimed programs:

■ Roadmaster bicycles were the draw in a "Pedal Into Spring" campaign that was launched by Procter & Gamble to promote end-aisle displays and purchases of Era and Oxydol laundry detergent products. The bikes were offered to dealers based on the number of cases purchased, and to consumers through a sweepstakes. The merchandise award tied into spring, which is the second-highest purchasing period of the year for this product category.

AVERAGE SPENT ON MERCHANDISE AWARDS

Sales incentives: \$337 per person

Non-sales incentives: \$345 per person

Dealer incentives: \$165 per person

Business gifts: \$57 per person

Source: *Incentive* magazine

points awarded for specific, desired behaviors or performances.

You must, however, structure your offer carefully. Though merchandise can make an attractive hook, you don't want your incentive to smack of bribery. When running a "trade incentive," it's a good idea to meld the merchandise aspects in with other elements, such as a consumer sweepstakes, local advertising, special events or price promotions—to avoid any hint of wayward ethics.

Also, some dealers may want to pass along your incentives to motivate their own staff; others may not want individual managers to redeem the awards. It's vital that the dealer understands your program before you launch it, and that promotional efforts reinforce the benefits of performing the desired behavior. If you want additional display treatment, for example, the displays must be designed to increase the dealer's sales; if you want to sell more of your stock, you must help the dealer move product off the shelf; if you're selling a new line, it must be one the

By the end of the program, Procter & Gamble had given away 5,400 Roadmaster bicycles—more than twice the number the company had predicted.

■ To increase cross-category purchases of 17 brands, Kimberly-Clark and Colgate-Palmolive teamed up with the American Heart Association in a health-and-fitness campaign aimed at 25- to 40-year-old women. The featured premium for consumers: a Timex aerobics watch. Dealers were also wooed; they received one of three Timex watches if they purchased 25, 50 or 100 cases of the designated products within a two-month period. Support materials included local dealer newspaper ads, a three-dimensional point-of-purchase display with tear-off pads and an American Heart Association exercise booklet.

Kimberly-Clark registered a sales increase of 24.4 percent, while Colgate Palmolive racked up a 22 percent gain. Both companies also realized a 22 percent increase in advertising and displays. In addition, consumers redeemed 100,000

Timex aerobics watches and dealers redeemed 22,000 items.

CONSUMERS

Consumer incentives add value to a product or service and can be used to spur trial use, purchase or brand loyalty. They also make natural tie-ins to dealer promotions aimed at:

obtaining shelf attention in retail stores

boosting repeat sales

building customer good will

gaining ad readership

expanding market share.

Any company that sells to consumers can benefit from a consumer incentive featuring popular and desirable merchandise. One of the best-known and possibly most successful consumer incentives is the frequent-flier program, but there are many other effective ways to reach consumers:

contests

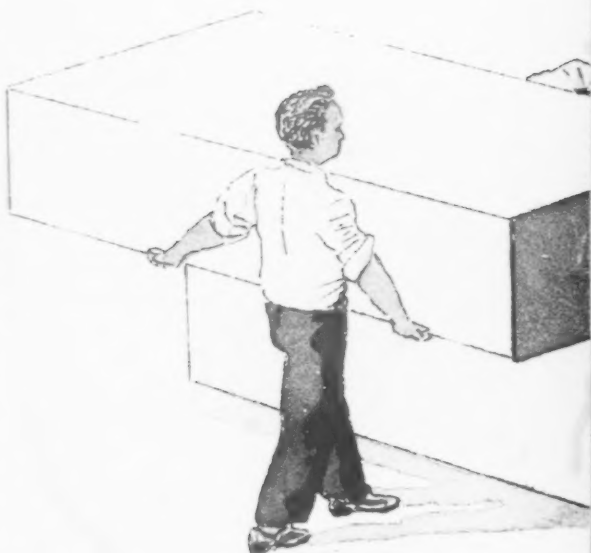
sweepstakes

self-liquidators

free mail-in offers

gift-with-purchase offers

frequent-buyer clubs



in-packs
on-packs.

With any incentive—and especially consumer incentives—no merchandise can effectively market a poor product. If what you are selling is overpriced or of poor quality, or if its packaging and advertising are ill-conceived, nothing you offer will disguise those very real dis-incentives to buy.

■ Acknowledging the strong influence children have on their parents' spending patterns, Pizza Hut cut to the quick by capitalizing on kids' current love affair with the Teenage Mutant Ninja Turtles—who just happen to be pizza aficionados extraordinaire. It obtained the rights to offer an audio cassette with 10 "original" songs performed by the group for \$3.99 with any purchase; a color activity book with an autographed pull-out poster, and tickets to a 40-city "Coming Out of Their Shells" concert tour. It also sold pizza during the concerts.

The results: More than 6 million Turtles tapes were sold in the 6,000 participating Pizza Hut units—and pizza sales also reportedly soared.



Four Basic Criteria

“Merchandise works, but the challenge is to find the right product for your audience. We have four basic criteria for choosing merchandise awards: 1) The product must be of such high quality that it reflects positively on the company image; 2) It must be something everyone wants, preferably a state-of-the-art item that's on its way up in the consumer buying chain; 3) It must carry a high perceived value in relation to cost, and 4) Its brand name must be instantly recognizable in a positive way.”

Mark Weinberger
Marketing Service Manager
Cathay Pacific Airways Limited
Los Angeles, CA

■ In an effort to enhance its sponsorship of the NASCAR racing series, The Gillette Company has tied in its Right Guard deodorant product with a long-time tradition: The Gillette Right Guard Halfway Challenge, an event in which viewers call in their winning pick at the halfway point of each race. This time around, consumers who called a 900 number could register in a sweepstakes for a Pontiac Grand Prix SE simply by punching in their phone numbers.

More than 1 million entries were logged, providing the Boston-based company with a substantial database for a follow-up mail campaign.

BUSINESS GIFTS

According to a recent survey by **Incentive** magazine, the average company distributes close to 107 business gifts a year. Some gifts are designed to celebrate specific holidays, while others aim to thank customers for their loyalty and business. Companies also give out corporate gifts:

to develop business by promoting the company name

because customers expect them to do so
to recognize employees
to build good will.

The benefits of giving business gifts have been well documented. One survey, conducted by Frank Pierce, Ph.D., of the University of Florida, cites that 47 percent of people who give business gifts feel that the items are either "effective" or "very effective" in producing the intended results.

Another study, by Richard Beltramini, Ph.D., of the College of Business at Arizona State University, concludes that business gifts improve customer perceptions of the gift-giver's products and increase the likelihood that the recipient will contact the vendor.

As you can see, the applications for merchandise incentives are broad and flexible. It's up to you to match your incentive goals to the audience (or audiences) most likely to achieve them. Once you do that, you'll need some help in choosing the perfect merchandise awards to motivate your group. That's what's covered in the next chapter.

C1220-4

OCTOBER 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

STAR-STRUCK CONSUMERS

**HOW FAN CLUBS
KEEP 'EM WORSHIPPING**

FROM BEDROOM TO BOARDROOM

**BUSINESS SECRETS FROM
THE 'MAYFLOWER MADAM'**

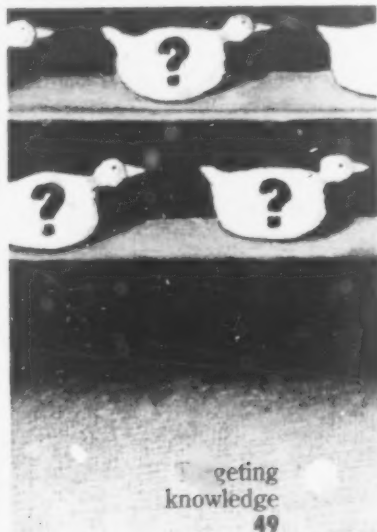
KNOW-IT-ALLS

**MAKING PRODUCT KNOWLEDGE
YOUR PROGRAM GOAL**

Statistical Ref Index
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ABP

FROM THE EDITOR

THE I.T. ARGUMENT

BY BRUCE BOLGER



Over the last few years, the incentive travel business has focused a lot of attention on individual travel (I.T.) awards. And for good reason. **Incentive's** statistics show the nation's incentive users turning to individual awards in a big way. This year, almost 50 percent of group incentive travel users now incorporate an individual trip into their offerings.

Boosters argue that individual awards make travel available to smaller companies that can't send everybody away, accommodate winners with tight schedules who can't always depart when the group does, bring travel to lower-level employees whose performance gains can't fund a more elaborate group award, and tap into Americans' growing preference for personal choice in travel.

Detractors—and these include some leading suppliers and users—argue that individual offerings can't do what group travel does: accentuate individual accomplishments by bringing top performers together with management and customers. They believe that the group experience greatly enhances corporate communication and camaraderie, while creating experiences that individuals can't achieve on their own.

It's clear that many end-users take both sides of the argument. **Incentive's** statistics indicate that many companies use both types of travel, combining a group experience for top performers with individual awards—often in conjunction with merchandise—for other achievers.

As with any new marketing or management tool, the challenge for both users and suppliers is to determine how to most effectively use this relatively new device. The best advice comes from individual travel's most fervent supporters and detractors. Companies reaping the most success from this option use it strictly as a reward and not as a communications device. They throw it into the award mix of merchandise, cash and perquisites, but rarely use it to supplant group travel awards unless the big trips present scheduling problems.

However, some suppliers argue that many users fail to incorporate the special elements into individual trips that set group incentive travel apart from other forms of travel, such as recognition and creation of memorable events. Individual-travel users could significantly benefit by including elements from group trips in their individual programs.

For their part, incentive travel suppliers have a lot to learn about this fledgling but fast-growing source of business. Many haven't recognized it at all, while others have developed impressive offerings but are still figuring out how to sell and market them. Still, a growing number of suppliers who have put the right ingredients together are doing well, even in this recession.

Bruce Bolger

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TAILOR-MADE AWARDS

When used thematically and strategically, apparel can more than dress up an incentive or promotional campaign.

BY KEVIN DOYLE



The old cliché, "the clothes make the man," was last heard sometime before the invention of the leisure suit. Even so, many companies are finding that apparel is still one of their most powerful tools to woo male customers and motivate male employees.

The Allied-Signal Inc. Aftermarket Group learned early on of apparel's effectiveness as a motivator. "We've been using apparel in our incentive programs for about 28 years," says Chris Donnelly, sales promotion manager at Allied-Signal, the East Providence, R.I.-based manufacturer of Fram air filters, Bendix brakes and Autolite spark plugs. The company's most recent program, "WinterWear 1991," began last month and will run through the end of December. "For our WinterWear program, we put together merchandise from six or seven manufacturers including Hathaway, Wrangler, Sebago and Woolrich, and made our own winterwear brochure

that resembles a Land's End or L.L. Bean catalogue," Donnelly says. The men's, women's and children's clothing in the brochure ranges from \$25 to \$250 retail, or \$25 to \$100 wholesale. "Our objective with this program is to increase overall sales, and it's targeted to automotive-parts wholesalers and distributors across the nation," says Donnelly. "We have found highly visible, brand-recognized apparel to be a very effective motivator for this group."

During the program, Allied-Signal issues one coupon for each qualifying parts order, typically an order of about \$800. The coupons are then redeemed from four categories of merchandise in the brochure. One coupon is good for such items as gloves and sweaters, while four coupons could be traded for more high-ticket items, such as a fur-trimmed parka. "The idea is to give certificates to the wholesaler as he accumulates a large inventory," Donnelly says. "He then sets up his own program and looks to increase sales by passing the coupons on as incentives to dealers." Last spring's campaign, which featured outdoor wear and camping supplies, pulled in \$60 to \$70 million in sales, as well

as a Gold Key Award from the Incentive Manufacturers Representatives Association.

Hard to please. Typical of Allied-Signal's incentive program is its primary target audience—namely, males. Although several companies have attempted to use apparel as an incentive tool for women, many have found that for various reasons its appeal doesn't measure up. The Fuller Brush Company, which employs mostly women, offers blazers as a recognition reward to its top salespeople, but that's the only item of apparel it uses. One reason is the sheer volume of clothing Fuller would have to offer to its female sales force to create an attractive incentive. "You have to be conscious of offering so many different styles and sizes, that incentive apparel for women presents a much bigger problem than for men," says Dave Laughlin, manager of promotions and incentives at the Great Bend, Kan.-based company. "We want to get a quality

THE HOTTEST ITEMS

CATEGORY

PERCENT GROWTH
IN RETAIL DOLLARS
(1990 vs. 1989)

Women's suits.....	25%
Girls' casual knit shirts.....	24
Girls' shorts.....	21
Men's shorts.....	20
Women's shorts.....	13
Girl's jeans.....	13
Boys' knit sport shirts.....	12
Infants' wear.....	12
Boys' shorts.....	12
Women's casual knit shirts....	11

Source: Kurt Salmon Associates Inc.



premium to them quickly."

Instead, Fuller's representatives, 85 percent of whom are women, are offered incentives ranging from business-card holders to Lincoln Continentals. Laughlin says that a few years ago, before he joined the company, Fuller did attempt an incentive program using apparel. "Women in the field have asked me, 'Are you ever going to run that Van Heusen incentive again?' But I've heard that, although the representatives liked the merchandise, there were a significant number of returns and exchanges due to sizing and other problems." He stresses the importance of timeliness in an incentive program, and says that if a salesperson returns an item because it's the wrong size or style, it acts as a disincentive.

Other companies share similar stories and concerns. Avon Products, which has a virtually all-female sales force, is another company that rarely offers apparel as an incentive item. Elaine Benvenuto, director of corporate public relations for the New York-based firm, says there are several reasons for this. "To give apparel as an incentive, a lot of inventory is needed because of the variations in women's sizes and tastes. Apparel is also more expensive

because vendors charge more for specifically sized items." She says the company does run programs with T-shirts and sweats, but infrequently. "We have to be selective because these are the only apparel items that are successful. We don't want to overuse them so that they no longer create any excitement or interest," she explains.

Tupperware offers several dresses and other women's fashions as an incentive, but only when other premiums such as furniture and appliances are included. "We've been offering apparel forever," says Bobbie Myers, motivational and incentive buyer for Orlando, Fla.-based Tupperware Home Parties. "More people have a chance to earn the clothes than our higher premiums, but we generally don't offer them alone." Isidore Cassuto, vice president of Clipper Unlimited Inc., a manufacturer's representative firm in West Palm Beach, Fla., points out that the growing number of women in the workplace will, however, likely increase the demand for women's apparel incentives.

One emerging trend is that fewer garments given as awards are customized with a company logo. None of the merchandise in Allied's WinterWear catalogue, for instance, is customized with Allied's name or logo.

"We tend to be getting away from



customizing," Donnelly says. "As much as you love your logo, people don't really want to wear it all the time, especially outside of work. People are even getting away from designer jeans and going back to basics."

A return to basics may well be a trend in the 90's. The corporate logo on a shirt might no longer be chic, but a few companies do have logos and products that are so well-known and admired that they can actually enhance a garment's value as an incentive. "We capitalized on people's desire to wear the MGM logo," says Chris Larson, former national marketing director for MGM/UA Home Video. "It's number two in world recognition after Coca-Cola."

When she was with the company, Larson ran nationwide sales incentive programs for distributors of MGM's line of home videos. For the 50th anniversary of "The Wizard of Oz," MGM/UA commissioned cotton jackets decorated with an embroidered depiction of Dorothy, Toto and friends skipping into the Emerald City. The six-color embroidery, which consisted of more than 54,000 stitches, was supplied by High Five Sportswear in Los Angeles. Distributors were told that they and their staff would receive the jacket if

they achieved a goal set for each of them. "We absolutely saw results," Larson says of the three-month program. "It was a great sales incentive, and it also became a good source of advertising. We sold 3.5 million copies of the video, which had already been out for four years. From Omaha to Boston, bringing a little Hollywood home really worked."

Unfortunately for many, the elusive alchemy of brand appeal can't be bought. What can be bought, though, are popular items graced with sports teams and their logos.

The appeal of the pros. "We've been using the NFL for more than eight years," says William Rossiter, marketing communications specialist for the Owens-Corning Retail

Insulation Division in Toledo, Ohio. "Owens-Corning has exclusive rights in the insulation industry for NFL and NBA national promotional programs, and we spend lots of money to keep those rights."

The company's current incentive campaign, which began in August and ends this month, features a lined, satin-and-nylon jacket emblazoned with an NFL team helmet, team logo and the NFL emblem. The jackets, supplied by Swinger Marketing in Kansas City, Mo., come in 10 colors and are designed with shoulder stripes.

Rossiter explains that to earn the incentive, consumers must purchase 10 rolls or more of R-13 insulation (insulation thickness is categorized by R-values). The jackets, a \$44.95 retail value, are redeemed by mailing in the proof of purchase and \$3.50 for shipping and handling. "We're trying to motivate consumers to buy higher R-value insulation, which helps the retailers upgrade their sales," he says.

The Owens-Corning campaign targets do-it-yourselfers and professional contractors, groups that Rossiter says are readily motivated by sports promotions. "The reason we use the jackets is demographics," he says. "In all the surveys we've done, jackets have ranked number one. Professional sports tie in with whom we sell to and, because of our licensing, we don't have to worry about any competition." He says the company has given out more than 700,000 consumer premiums over the past eight years, and that six of the fall promotions used jackets. The program has been so successful that the company will kick off a campaign using NBA team jackets this February. "We want to give the retailer something to utilize during the peak selling seasons," Rossiter says.

While the allure of sports-related promotions has long been established, finding a tie-in with a major sporting event creates added excitement around a product. The Monroe Auto Equipment Company recently found an effective tie-in with one of the premier events in the world of auto racing, the Indianapolis 500.



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The firm ran a sweatshirt program last spring that centered on 1991 being the 75th anniversary of both Monroe and the Indianapolis 500, says Mark Williams, senior account representative for the Monroe, Mich., auto-parts manufacturer. "Automotive people like certain items, and this unique shirt fit the kind of people we're dealing with."

Monroe initiated the program to increase sales of its Gas-Matic line of premium shock absorbers and struts at the Pep Boys automotive retail stores. "We included all 320 Pep Boys stores in the 52 districts nationwide," Williams explains. "After eight weeks, the store in each district with the highest percentage of premium sales, balanced against its regular sales, won." Williams says that to foster a team approach, all employees of winning stores were awarded shirts. The 1,250 shirts Monroe gave away were made by Gear For Sports in Lenexa, Kan., and distributed by Chamberlain and Associates of Taylor, Mich.

CLOTHING CATALOGUE

Tultex has announced its entry into the incentive apparel market. The activewear manufacturer has a new catalogue of basic product offerings and company information. To receive a copy, contact Jerry Williamson, Tultex Corp., P.O. Box 5191, Martinsville, VA 24115, (703) 632-2961.

LICENSED TO DRIVE

The National Association of Stock Car Auto Racing (NASCAR) has a four-page catalogue that introduces companies to the variety of officially licensed NASCAR merchandise. The selection includes apparel, coolers, watches, toys, candy and beach towels. More than 1,700 NASCAR events are held in 40 states each year. Contact Jerry McGee, NASCAR Properties, 320 Interstate

I D E A S

No., Ste. 102, Atlanta, GA 30339, (404) 955-5038.

ADJUSTABLE CLUB

Divnick International Inc. has developed a golf club that adjusts to every loft position, including three putter and three driver angles, up to a 68-degree wedge. The 38.5-inch club telescopes to a compact 17 inches and requires no tools to adjust. A corporate logo can be cast or imprinted into the head of the club. Contact Divnick International Inc., 1600 East St., Spring Valley, OH 45370, (513) 862-4644.

FRENCH BEAUTIES

Hour Lavigne, a French company with U.S. headquarters in New York, has introduced a line of unusual table and desk clocks. Each handcrafted clock includes materials such as semi-

EXPOSE YOURSELF.

They look like fashion clothing. But every time someone slips into one of your company's garments, these clothes become ads. Ads where



hundreds, even thousands, of people could see your logo. Your name. Your style.

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FACTS SURVEY TRAVEL INCENTIVES

With their budgets frozen and award costs rising, executives are finding ways to stretch their travel dollars.

Recession has struck the realm of incentive travel. According to this year's FACTS survey of 197 executives, companies indicate that they're spending more for trips while awarding them to winners who are producing less impressive sales gains than in past campaigns.

The survey shows that travel campaigns are yielding an average of only 14.5 percent in incremental sales, compared with 16.7 percent a year ago, and a range of 17 to 21 percent in the six previous years. Meanwhile, incentive travel costs have risen in two critical categories: trip price (per participant), and costs expressed as a share of sales gained from the program.

Respondents also are showing near-zero growth, claiming a mere 3 percent increase in planned travel spending for 1991. In last year's travel survey, executives augured this recessionary pattern, as usage dropped to 6.5 percent from 9.5 percent in 1989.

On the plus side: The percentage

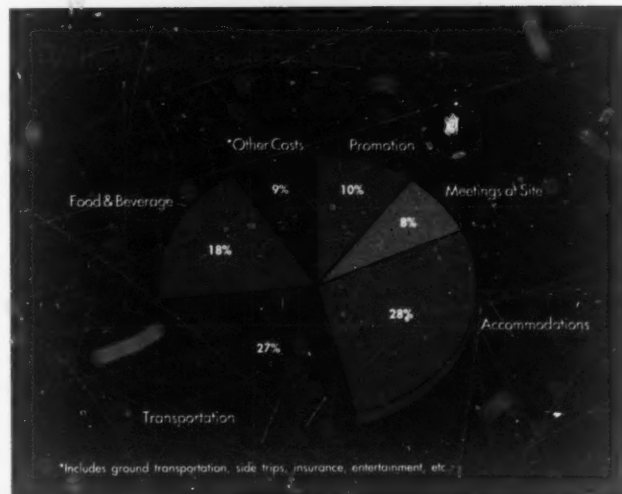
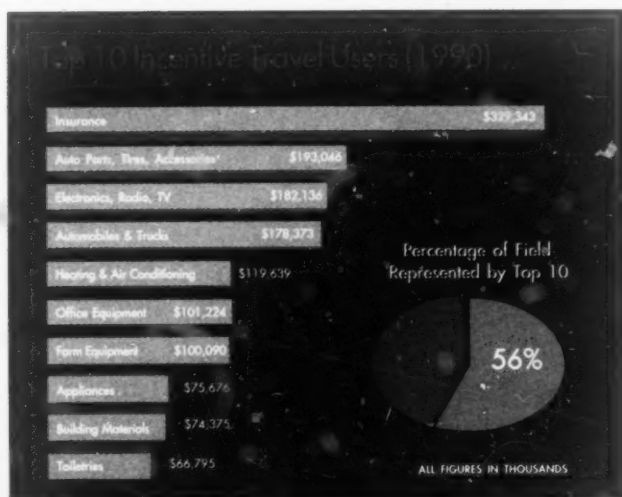
of dealers and salespeople qualifying for awards remains at the same level for the third straight year—35 percent. The stable qualification rates seem to reflect a modest cutback in goals and quotas, especial-

ly when viewed against the reduced projections for dollars spent on 1991 travel programs.

In addition, users in **Incentive's** latest survey did find a number of ways to counter the recession's effects. Some pared budgets by shortening trips, substituting domestic for foreign sites, or eliminating trips altogether. Others, less willing to give ground, focused on maintaining a strong travel program to keep the sales organization functioning well and poised for better times.

The final estimate for 1991 travel spending is \$2.6 billion—59 percent of it allocated for programs targeting salespeople, the rest for dealers. The figure includes a 6.7 percent rise in sales incentives and a 6.3 percent increase in dealer promotions. Both categories, however, showed greater increases in merchandise-award spending, registering gains of more than 8 percent.

While this year's respondents report a boost in the cost of incentive travel, that rise has been moderate—a little more than the inflation rate. The per-person price of an



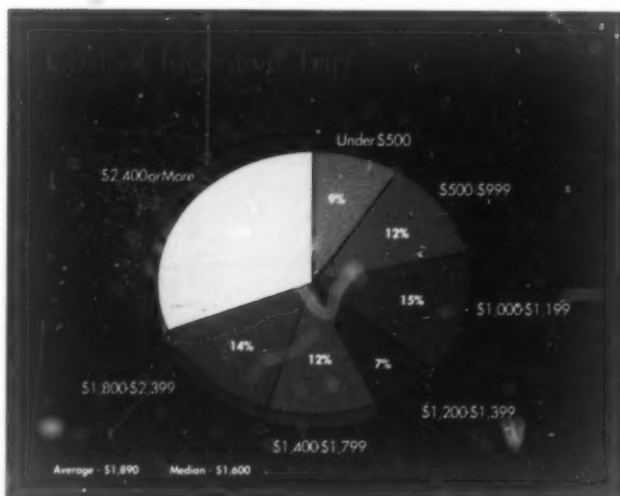
average trip has hit \$1,890, an \$85 increase over last year's survey. The median, meanwhile, rose to \$1,600 from last year's \$1,500.

When measured as the cost of the program versus incremental sales, this year's average investment is 11.3 percent, up from 10.7 percent. But the median grew even more, from 6 percent in 1990 to 8 percent now. The jump in the median suggests a significant rise in costs in administration, promotion, meetings and other incentive-campaign support functions.

Shifting objectives. Another indication of recessionary concerns: Travel-incentive objectives have changed somewhat from a year ago. "Selling new accounts," which had previously ranked second (after "increasing total volume"), dropped from a 51 percent choice last year to just 39 percent in this year's survey. This likely reflects that seeking new business may not be the most realistic strategy in hard times.

Two other objectives, however, gained ground among this year's respondents. "Improving morale and/or good will" has always scored high with travel users, but this year the objective rose to a 51 percent vote, up slightly from the 47 percent who favored it a year ago. And "bolstering a slow season," normally a fairly minor aim—chosen by 17 percent last year—rose to 27 percent this year. Indeed, for some, "slow season" may have defined the entire year.

Although some users in the survey said they had cut back on foreign travel and re-emphasized domestic sites, the overall trend seems negligible. Respondents indicated an average foreign-travel expenditure making up about 40 percent of their total outlay, while the other 60 percent went toward trips stateside. In last year's survey, the figures varied little—41 and 59 percent, respectively. The difference, if extrapolated over the universe of



all travel programs, would mean a shift of about \$26 million from overseas to domestic spending this year.

Another cost-reduction measure seems to have surfaced in this year's study—eliminating spouses from the trip. In the 1990 survey, 92 percent of executives said they included spouses on the trip. This year, that figure has fallen to 87 percent. The term "spouse," it should be pointed out, is used fairly loosely: About 73 percent of all respondents

welcome "guests" other than husbands and wives.

A few survey respondents said they cut costs by eliminating the services of an incentive firm. But this didn't figure as a significant trend. Full-service incentive firms are listed as a source by 23 percent of respondents, unchanged from a year ago. The most popular option for travel arrangements remains the local travel agent, favored by 43 percent, but the figure has dropped from 49 percent in 1990. Forty-two percent of executives count mostly on in-house staff to create incentive trips, a 3-point increase over last year, and another 19 percent deal directly with travel suppliers, compared with 15 percent who gave that answer a year ago. (The total percentages here exceed 100 percent because many companies take varied routes for different promotions.)

Diverse targets. Users continue to target a wide variety of potential travelers in their promotions. Eighty percent focus on company sales personnel, while 17 percent target non-sales employees as well. The second-largest group is retail dealers, the focus of 35 percent of these marketers.

While most company-employed sellers receive travel incentives, they represent only about 35 percent of all corporate activity. With the average respondent claiming at least

TRAVEL FACTS IN BRIEF

Programs per year (median)

Domestic:	2
Foreign:	1

Group trips

Users:	59%
Average number of participants:	118
Median number of participants:	50
Average length:	6 days

Business meetings

Hold meetings on trips:	51%
Average number of hours:	9.5

Buy-ins

Allow participants to buy in:	26%
Average amount of buy-in:	29%

Merchandise

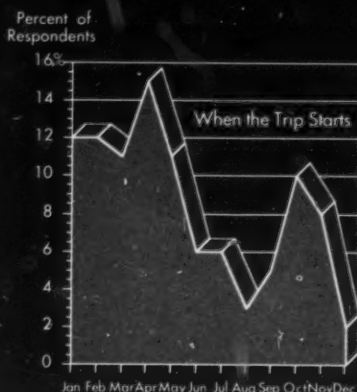
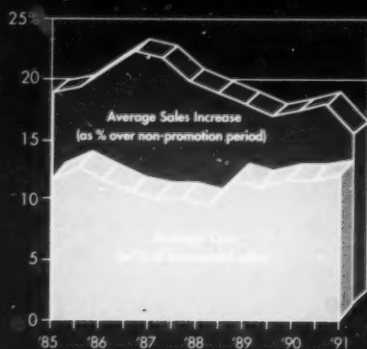
Companies that use it with travel:	54%
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Consumer travel

Users:	21%
Pay for it:	74%
Trade for it:	37%

Decision makers

President, CEO, exec. VP:	65%
Sales/marketing director:	27%
Meeting planner:	5%
Product/merchandise manager:	1%
Advertising/sales promotion director:	3%



2.5 different types of audiences for his or her incentive programs, it appears that outside people dominate most users' efforts. Those target groups include distributors (24 percent), dealer salespeople (21), independent sales reps (15), distributor salespeople (14), direct-salespeople (14) and others (6). The survey also shows an average planning time of 38 weeks before the actual trip, including a selling period averaging 29 weeks.

The large majority of users (72 percent) continue to feature the flexibility of open-ended trip qualification—awarding *all* who meet the requirements, rather than restricting their programs to a predetermined number of winners. An open-ended structure matches the most popular method of setting quotas: basing them on the sales forecast. Fifty-five percent of companies use this method, which permits both the incentive budget and incremental sales to expand together. Thirty-six percent set quotas on the basis of incentive-budget requirements, which tends to create a more rigid plan and limit the number of winners.

For most users—57 percent this year—the budget can be tailored to the specifics of the campaign; they use a special campaign budget set in advance. About 19 percent tie the budget to a percentage of forecasted sales; 15 percent have regular promotion funds set aside for incentives; and the remaining 9 percent use flexible budgeting that puts up

a percentage of incremental sales to fund the campaign.

What measures of success do incentive-travel users stress most in their campaigns? The top criterion: "total units or dollars sold"; 66 percent marked this objective, up from 59 percent in 1990. But the second-ranked measure, "percent reaching goal or quota," has gained greater importance, now preferred by 42 percent, up from only 30 percent last year. "Increasing market share" is listed as an objective by 25 percent; 31 percent marked this goal last year. Two other criteria remain almost unchanged: "profit on incremental sales," 25 percent, and "branch or district performance," 17 percent.

Incentive asked executives to recount their strategies for coping in the recession and keeping their programs effective. Answers ranged

widely, reflecting a variety of philosophies. One straightforward approach was expressed by James W. Agnew, vice president of marketing services for Des Moines-based American Mutual Life Insurance, whose budget for an annual domestic trip for more than 200 people is down 12 percent from last year's: "We have increased the requirements, reduced the exceptions, and cut out frills [gifts during the convention]."

A small hardware manufacturer has increased his travel budget by about 10 percent, but he's still looking for ways to contain costs in the face of sliding sales; he anticipates a total 12 percent sales gain produced from this year's three incentive programs, compared with the 18 percent harvested last year. "We'll do more in-house planning," he says. "No overseas travel; we'll spend in the USA. No spouses on the last trip. And we'll use more desktop printing."

An industrial-chemical maker accepts the inevitable rise in costs, but will "tighten controls and parameters on sales targets, monitor progress and costs more closely and maintain continuous contact with salespersons." A Southwestern radio station owner claims that his trips "are of shorter duration and closer to home." And while a California wholesaler expects a good sales gain this year and is increasing his incentive budget by about 10 percent, he claims he is "shopping around and getting the most out of each dollar."

TRAVEL INCENTIVE OBJECTIVES

(Percentage of respondents reporting)

Increase overall volume.....	70%
Improve morale/good will.....	51%
Sell new accounts.....	39%
Introduce new product.....	31%
Move full line or slow items.....	29%
Bolster slow season.....	27%
Offset competition.....	23%
Support consumer promotion.....	15%
Build dealer traffic.....	13%
Prepare for strong season.....	2%

The simplest way to save some money, many believe, is to shorten a trip. A New England shoe-company executive, who has taken his groups to Switzerland and Italy, will be moving travel from foreign to domestic, including a cruise this year. An Eastern publisher who has run trips to Paris and Rome claims that "partially due to the Gulf situation, we did not travel overseas" this year. Similarly, at Ford Auto Club in Dearborn, Mich., product manager Dennis Kasproicz claims, "We have reduced our program from two destinations to one destination with varying lengths of stay. Also, we now have a 'budget host' go on the trip, with the authority to make changes that would either reduce costs or increase the winners' perceived value."

Uncertainty has proved a certain factor at some companies, as at one Eastern machinery manufacturer who has taken groups of 40 or so to foreign destinations in the past. He says: "Although we planned to kick

off an incentive program in late '90, we held off due to the economy and the war. We felt we had to offer a phenomenal trip as an incentive, yet had to battle our own budget woes as well as our distributors' nervousness about traveling. We decided to hold off until this year. But we haven't yet made any final decisions."

Strategies for growth. For many executives, opportunities loom despite the recessionary climate. An Illinois wholesaler estimates a large 1991 budget *increase*, despite an expected loss in sales volume: "We have cut costs on the operating side and actually increased our incentive budget, with greatest emphasis on rewards for growth, in anticipation of better sales in the coming year. We have also added more private meetings with the president for high sellers to make them feel more important."

The Independent Order of Foresters in Solano Beach, Calif.,

hasn't changed its substantial travel budget. Its insurance sales program includes trips for 650 people to both domestic and foreign destinations. While the incentive plan has not changed, manager of travel Joseph A. Berge says, "We increased our advertising and promotion budget...and we increased the training program budget."

"Business as usual" sums up the feelings of many marketers using incentive travel. W. L. Pulsipher, vice president of marketing for HCS Corporation, a Salt Lake City wholesaler, says that his annual program offering a group trip to a foreign destination for over 100 people will continue uninterrupted. And he reports recent sales gains above the survey average.

"Continuity of established programs is important," notes a major recreational-vehicle maker. "The precedent of annual programs is difficult to change."

"For our sales force, the program



remains untouched," says John T. Nakaoka, national sales manager of Avery Dennison-Merchant Products, a San Diego specialty-paper manufacturer. "And we keep our focus on motivating them to remain visible, active and involved with their customers."

Robert J. Abbott, manager of advertising and meeting services for Mueller Company, a Decatur, Ill., manufacturing firm that conducts foreign trips for groups of about 200, claims no changes in incentive travel plans. "We continue to run our programs as we have in the past," he says. "We have established a reputation for operating quality programs. Cuts would only work against us and diminish the incentive value of the award. Even in a recession, the *value* of our program more than pays for the cost of the program itself. In fact, in a recession, it is probably more important to maintain the quality to assure that people will stretch to win."

TOP INCENTIVE DESTINATIONS

(ranked in order of popularity)

WESTERN HEMISPHERE

(including U.S., Caribbean, Mexico and Canada)

1. Hawaii
2. Caribbean Islands (also includes Bahamas and multi-island cruises)
3. California
4. Florida
5. Mexico
6. Nevada
7. Arizona
8. New York
9. Canada
10. Bermuda
11. Illinois
12. Puerto Rico
13. Texas
14. Colorado
15. Alaska
16. South Carolina
17. Pennsylvania
18. Massachusetts
19. New Jersey

Wisconsin
Minnesota
New Orleans

16. Vermont
17. Virginia
18. Missouri
19. Ohio
20. Michigan
21. New Mexico
22. Washington, D.C.
23. North Carolina
24. Atlanta
25. Nashville
26. Utah
27. Arkansas
28. Montana
29. Iowa

OVERSEAS

1. France
2. Spain
3. England
4. Germany
5. Italy
6. Australia
7. Portugal

Monaco
Austria
Switzerland
Hong Kong

5. Ireland
6. Singapore
7. Bali
8. Thailand
9. Israel

Other mentions:

Belgium
Poland
Sweden
Denmark
Tokyo
Taiwan
China
India
South Africa
Morocco
South America

Note: Destinations listed under the same ranking are tied.



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